

CASE

NUMBER:

99 - 155

INDEX FOR CASE: 99-155
JOHNSON COUNTY GAS COMPANY, INC.
Rates - ARF

IN THE MATTER OF THE ALTERNATIVE RATE FILING OF JOHNSON
COUNTY GAS COMPANY, INC.

SEQ NBR	ENTRY DATE	REMARKS
0001	04/14/99	Application.
0002	04/16/99	Acknowledgement letter.
0003	04/26/99	Deficiency letter, response due 5/11.
M0001	05/06/99	JOHNSON CO GAS COMP BUD RIFE-RESPONSE TO FILING DEF
0004	05/10/99	Deficiency cured letter.
0005	08/06/99	Order issuing Staff Report; comments or request for hearing due 8/16
0006	09/01/99	FINAL ORDER APPROVING RATES



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-155
JOHNSON COUNTY GAS COMPANY, INC.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on September 1, 1999.

Parties of Record:

Bud Rife
Manager
Johnson County Gas Company, Inc.
P. O. Box 339
Harold, KY. 41635

Stephanie J. Bell

Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JOHNSON COUNTY GAS)
COMPANY, INC. FOR A RATE ADJUSTMENT) CASE NO. 99-155
PURSUANT TO THE ALTERNATIVE RATE)
FILING PROCEDURE FOR SMALL UTILITIES)

O R D E R

On May 6, 1999, Johnson County Gas Company, Inc. ("Johnson County") applied for Commission approval of proposed gas rates. The proposed rates would generate additional revenues of \$78,639.

On May 20 and 21, 1999, Commission Staff conducted a field review of Johnson County's test-period financial records and issued a Staff Report on August 6, 1999. The Staff Report recommended that the level of increase, and the proposed rates for commercial customers requested by Johnson County, be approved but it recommended a different rate design for residential customers than that proposed by Johnson County.

By Order dated August 6, 1999, Johnson County was advised to file comments on the Staff Report or to request a hearing or informal conference within 10 days of the date of the Order or the case would stand submitted to the Commission for decision. No comments or requests for a conference or hearing have been filed.

As noted in the Staff Report, Johnson County is required to pay a surcharge to Kentucky West Virginia Gas Company ("Kentucky West") in the amount of 61.4 cents per Dth. The surcharge was intended to discharge a debt of \$136,913.01 over a ten-year amortization period and was approved by the Federal Energy Regulatory

Commission as part of a settlement in Docket Nos. TQ89-1-46-000, et. al., between Kentucky West and this Commission. Johnson County collects a surcharge from its customers in the amount of 41.55 cents per Mcf for the payment of the Kentucky West debt.

The rate at which Johnson County is collecting the surcharge exceeds the amounts billed by Kentucky West. This imbalance has existed for several years. The amounts collected in excess of the amounts remitted were not escrowed to pay future billings from Kentucky West but were used to help fund current operations.

The Commission, after consideration of the record and being sufficiently advised, finds that:

1. The surcharge approved by the Commission to be collected from Johnson County's customers is to be used solely for the payment of the debt to Kentucky West. Johnson County should deposit all surcharge revenues into a separate interest-bearing bank account and pay all Kentucky West billings from the account. Johnson County should use any excess revenues not required to pay current billings to pay past due amounts billed by Kentucky West. After the past due amounts have been paid, any excess amounts collected by Johnson County should be accumulated in the bank account and paid to Kentucky West at the end of the ten-year amortization period.

2. Johnson County requested a smaller increase than it determined necessary to satisfy its revenue requirements due to the likelihood of losing customers if the entire requirement was recovered. Citing Johnson County's concern regarding the possible loss of customers, the Staff Report recommended approval of the amount of increase requested by Johnson County even though the increase does not cover the

entire revenue deficit as determined by Staff. It is noted that many of the amounts included in the adjusted test year expenses are projections since the company was previously operated under a management contract; however, ownership has subsequently changed and services will no longer be provided pursuant to a management contract. Johnson County is urged to operate as efficiently and economically as possible while maintaining service and safety standards. Johnson County is also directed to closely monitor its financial situation and notify the Commission if its cash flow is not sufficient to meet its obligations. The Commission will also be monitoring the financial status of the company through the quarterly reports Johnson County is required to submit pursuant to the final order in Case No. 98-523.¹

3. The recommendations and findings contained in the Staff Report are supported by the record, are reasonable, are adopted as the findings of the Commission in this proceeding, and are incorporated by this reference.

4. The rates in the Appendix, which is attached, are the fair, just, and reasonable rates for Johnson County and will produce total annual revenues of \$267,280 from gas operations.

IT IS THEREFORE ORDERED that:

1. Johnson County shall deposit all surcharge revenues into a separate interest-bearing bank account and make all payments to Kentucky West from that account. Any excess surcharge revenues not required to pay current billings from

¹ Case No. 98-523, Application of Mr. Bud Rife and the Kentucky Municipal Gas Utility Investment Trust for the Approval of the Acquisition of the Stock of Johnson County Gas Company, Inc. of Paintsville, Johnson County, Kentucky, by Mr. Bud Rife and the Issuance of Two Promissory Notes Evidencing Certain Indebtedness of the JCGC.

Kentucky West are to be used to pay past due amounts billed by Kentucky West. After payment of all past due amounts, any excess surcharge revenues collected by Johnson County are to accumulate in the bank account and be paid to Kentucky West at the end of the ten-year amortization period.

2. The rates contained in the Appendix are approved for service rendered by Johnson County on and after the date of this Order.

3. Within 30 days of the date of this Order, Johnson County shall file with the Commission its revised tariff setting out the rates approved herein.

Done at Frankfort, Kentucky, this 1st day of September, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 99-155 DATED SEPTEMBER 1, 1999

The following rates and charges are prescribed for the customers in the area served by Johnson County Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order. The rates included herein reflect all gas cost adjustments through Case No. 10415-JJ.

Residential

Minimum Bill:	0 – 1 Mcf	\$10.50
All Additional Mcf		\$ 9.50

Commercial

All Mcf		\$9.85
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COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

August 6, 1999

Bud Rife
Manager
Johnson County Gas Company, Inc.
P. O. Box 339
Harold, KY. 41635

RE: Case No. 99-155

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JOHNSON COUNTY GAS)
COMPANY, INC. FOR A RATE ADJUSTMENT) CASE NO. 99-155
PURSUANT TO THE ALTERNATIVE RATE)
FILING PROCEDURE FOR SMALL UTILITIES)

O R D E R

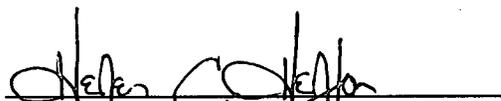
On May 6, 1999, Johnson County Gas Company, Inc. ("Johnson County") applied for Commission approval of proposed gas rates. Commission Staff has performed a limited financial review of Johnson County's operations and prepared the attached Staff Report containing its findings and recommendations regarding the proposed rates. Johnson County should carefully review the report and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that Johnson County shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or to request a hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 6th day of August, 1999.

ATTEST:

By the Commission


Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JOHNSON COUNTY GAS)
COMPANY, INC. FOR A RATE ADJUSTMENT) CASE NO. 99-155
PURSUANT TO THE ALTERNATIVE RATE)
FILING PROCEDURE FOR SMALL UTILITIES)

STAFF REPORT

Prepared by: Beverly B. Davis
Manager, Financial Audits Branch
Division of Financial Analysis

Prepared by: Dawn McGee
Public Utility Rate Analyst I
Electric & Gas Rate Design Branch
Division of Financial Analysis

STAFF REPORT
ON
JOHNSON COUNTY GAS COMPANY, INC.
Case No. 99-155

A. Preface

On May 6, 1999, Johnson County Gas Company, Inc. ("Johnson County") filed an application for a rate adjustment pursuant to 807 KAR 5:076, the Alternative Rate Filing Procedure for Small Utilities ("ARF"). The application stated the proposed rates would produce a \$30,908 increase; however, this reflects Johnson County's incorrect calculation of normalized test period revenues. When compared to properly normalized test period revenues, the proposed increase is \$78,639 which is a 43% increase.

In order to meet the minimum filing requirements for an ARF, a utility must have less than 500 customers and less than \$300,000 in gross annual revenues. Johnson County met the minimum requirements for an ARF filing. The Commission Staff performed a limited financial review of Johnson County's operations for the test year ending December 31, 1998. The Commission's objective was to reduce or eliminate the need for written data requests, decrease the time necessary to examine the application, and therefore, decrease the expense to the utility. Beverly Davis and Chris Whelan of the Commission's Division of Financial Analysis performed the staff review on May 20-21, 1999 at Johnson County's office in Harold, Kentucky. This report was prepared by Beverly Davis with the exception of the sections dealing with Normalized Revenues, Purchased Gas Expense, and Rates, which were prepared by Dawn McGee.

Scope

The scope of the review was limited to obtaining information to determine that the operating expenses as reported in Johnson County's application for the period ending December 31, 1998 were representative of normal operations, and to gather information to evaluate the pro forma adjustments proposed in Johnson County's filing. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

B. FERC Surcharge

Johnson County is required to pay a surcharge to Kentucky West Virginia Gas Company ("Kentucky West") in the amount of 61.4 cents per Dth. The surcharge was approved by the Federal Energy Regulatory Commission ("FERC") as part of a settlement in Docket Nos. TQ89-1-46-000, et. al. between Kentucky West and this Commission. Johnson County collects a surcharge from its customers in the amount of 41.55 cents per Mcf for the purpose of payment of the Kentucky West billings.

According to its application, Johnson County reported \$11,132 in surcharge revenue for the test period. The rate at which Johnson County is collecting the surcharge from its customers greatly exceeds the amounts billed by Kentucky West. The total amount invoiced by Kentucky West during the test period was \$3,207 although Johnson County's actual payments totaled \$5,354, which apparently included some past due amounts. This imbalance has existed for several years. The amounts that were collected in excess of the amount remitted were not escrowed into an account to be used to pay future billings from Kentucky West Virginia. As a result, the surcharge revenues have been used in part to help fund current operations.

The surcharge approved by the Commission to be collected from Johnson County's customers was intended for the purpose of paying the debt to Kentucky West Virginia. The surcharge revenue was not intended and should not be used to pay current operating expenses. The amount of surcharge revenue not currently used to pay surcharge billings to Kentucky West Virginia should be escrowed in an account to be used solely for the purpose of payment of the surcharge obligation. Staff recommends that the Commission direct Johnson County to establish a separate interest-bearing bank account for surcharge revenues. Johnson County should deposit all surcharge revenues into the account and pay surcharge billings from the account so that any unused revenues will be available to pay future billings.

C. Recommended Rate-Making Adjustments

Johnson County proposed numerous adjustments to its test-year operations. Johnson County requested and is using a historical test period normalized for changes that occurred during the test year. During the test period, the utility was owned by the Kentucky Municipal Gas Utility Investment Trust and Mr. Rife served as operator under a management contract. Subsequent to the end of the test period, the Commission approved the transfer of the stock of the utility to Mr. Rife so he now owns all outstanding shares of the stock of Johnson County. Most of the adjustments contained in Johnson County's application concerned the proposal to hire employees and discontinue the practice of providing services through a management contract. Normally changes to operating expenses that occur outside the test year would not be accepted when a historical test period is used. However, due to the change in ownership that occurred subsequent to the end of the test period, Staff has considered

the proposed changes related to the discontinuance of the management contract. Staff's evaluation of the proposed adjustments and test period operations follows.

Affiliated Companies

Mr. Bud Rife owns 100 percent of the shares of Johnson County. In addition, he owns Bud Rife Construction Company, Inc. ("Bud Rife Construction"), B & S Oil and Gas Company ("B & S"), and B & H Gas Company, Inc. ("B & H"). All four companies share office space in a building owned by Mr. Rife in Harold, Kentucky.

During the field review, Mr. Rife reported that B & H has two employees, Bud Rife Construction has two employees, and B & S has two employees. Although, Staff takes note that the general information sections of the 1997 and 1998 annual reports stated that B & H had five full-time employees. Johnson County does not have any employees; its operation has been conducted through a management contract.

Mr. Rife reported that expenses for pager service, cellular telephone service, electric service from AEP, and building rent are allocated equally between Johnson County and two of the other affiliated companies. He said that office supplies are allocated equally between Johnson County and two other companies unless the item is used exclusively by one company. He reported that the gasoline expense for his vehicle is distributed to all the companies by rotating the charge to the different companies' credit cards.

As discussed throughout this report, Staff agrees with Johnson County's request to hire its own employees and discontinue operation under a management contract. However, Johnson County must ensure that there is no cross-subsidization between the affiliated companies. Johnson County has assured Staff that any employees hired will

work exclusively for Johnson County. If for any reason this is found not to be the case, Johnson County should allocate salary, payroll taxes, workers' compensation insurance, and health insurance to the other companies as appropriate. Additionally, any other joint costs should be allocated to all the affiliated companies that benefit from the expense.

Normalized Revenues

Johnson County proposed normalized revenues of \$240,390. This amount, reported in Attachment IV of the application, consisted of sales revenues of \$206,684, customer charge revenues of \$17,460, and "other" revenues of \$16,246. The sales revenues were based on Johnson County's retail rate in effect from January 21 through May 7, 1998, which was \$7.68 per Mcf. To correctly calculate Johnson County's normalized revenues, Staff used \$6.40 per Mcf which was the rate in effect at the time of filing. A second problem is that the sales volume used by Johnson County included free gas that it supplies in exchange for easements. A third problem with Johnson County's normalized revenues is the amount of "other" revenues. The \$16,246 included \$11,132 collected pursuant to the FERC approved surcharge discussed earlier in this report. This surcharge is designated to repay Kentucky West and is not to be used to pay operating expenses; therefore, it should not be included in the calculation of normalized revenues for the purpose of setting rates. Based on these adjustments, Johnson County's normalized test year revenues are calculated as follows:

Reported 1998 Sales Volume-in Mcf	26,912
Less: Free Gas	<u>(966)</u>
Adjusted 1998 Sales Volume	25,946
Current Rate per Mcf	<u>x \$6.4005</u>
Normalized Sales Revenues	\$166,067

Plus:	
Customer Charge Revenues	\$ 17,460
Other Revenues:	
Penalties	4,764
Non-recurring charges	350
TOTAL NORMALIZED REVENUES	<u>\$188,641</u>

Purchased Gas Expense

Johnson County proposed normalized purchased gas expense of \$98,229 based on volume sold during 1998 of 26,912 Mcf and a purchased gas cost of \$3.65 per Mcf. This expense level was based on Johnson County's existing contract with Interstate Natural Gas Company which sets out a gas cost of \$3.65 per Mcf.

Staff calculated Johnson County's normalized purchased gas expense by using the actual volumes of 27,649 Mcf purchased in 1998 as reported in Johnson County's annual report and the most recent gas cost adjustment ("GCA") approved by the Commission at the time of filing. Using the most recent GCA of \$3.5458 per Mcf results in an adjusted level of purchased gas expense of \$98,038.

Operation Supervision and Labor

Johnson County proposed elimination of contract labor in the amount of \$4,575 included in this account and indicated it plans to hire employees to perform those services. The costs attributable to the proposal to hire employees are included in other accounts. Johnson County's pro forma adjustment to this account also included an increase of \$2,580 which is half the annual lease cost for a 1997 4 wheel drive Chevrolet S-10 extended cab truck. The proposal regarding the truck lease will be addressed in the section of the report that discusses transportation expenses.

This account includes the cost of cell phone service and pager service. One-third of the cost of both services was allocated to Johnson County. The remainder of the cost was allocated to B & H and Bud Rife Construction. Apparently none of the cell phone service or pager service was allocated to B & S. As previously indicated, Mr. Rife reported that B & S has two employees. Based on this information, Staff recommends that B & S be allocated a portion of the cell phone and pager services. The cell phone service is for five lines. Mr. Rife reported that one cell phone is kept in each vehicle used by the affiliated companies and he carries one at all times. There is a pager for each employee of the affiliated companies. Test period expenses were reduced by \$173 to account for redistribution of the cell phone expense equally to four companies and by \$67 to account for redistribution of the pager expense to four companies.

One-half the cost of the lease payments made during the test period for a 1996 Chevrolet Blazer was also included in this account. Mr. Rife said the previous manager of Johnson County leased the vehicle. The lease expires on September 26, 1999 and the lease purchase option will not be exercised according to Mr. Rife. Because this expense will not be incurred after September 26, 1999, Staff recommends it be removed from test period expenses. This is a reduction of \$2,039 to this account.

Staff agrees with the elimination of contract labor in the amount of \$4,575. The total reduction to this account recommended by Staff is \$6,854.

Mains and Services Labor

Johnson County proposed to reduce the contractual services for Bud Rife Construction recorded in this account by \$15,131 leaving \$5,600 in contractual services.

No analysis was provided to justify or explain the computation of the amount retained. Johnson County's adjustment to this account also included an increase of \$28,080, which is 75 percent of the cost it proposed to hire two field employees. The remaining portion of the field employees' salaries is addressed in Meter Reading Labor. Mr. Rife reported that the employees hired to work for Johnson County would not perform work for any of the other affiliated companies. The company proposed to hire a supervisor at a rate of \$10 per hour for an annual wage of \$20,800 (40 hours per week X 52 weeks X \$10 per hour). A general laborer would also be hired at a rate of \$8 per hour for an annual wage of \$16,640 (40 hours per week X 52 weeks X \$8). Mr. Rife said he established the hourly rates by informal discussions with other local utilities to determine the local pay rates. Mr. Rife plans to transfer one of the employees currently employed by B & H to the supervisory position for Johnson County. That individual is currently paid \$7 per hour. Mr. Rife reported that all six individuals employed by B & H, Bud Rife Construction, and B & S currently earn around \$7 per hour.

Since no justification was provided to retain \$5,600 for contractual services, Staff recommends that the entire amount of \$20,731 be removed. Staff takes note of the fact that all other companies owned by Mr. Rife pay employees less than the proposed levels for Johnson County. However, the proposed levels are not unreasonable and are in line with pay levels for other small utilities. Staff recommends acceptance of Johnson County's proposed adjustment for adding field employees. The net increase to this account is \$7,349.

Mains and Services Supplies and Expenses

Johnson County proposed no adjustments to this account. Staff recommends reduction of the account by a total of \$3,175 to remove from expense the cost of a flame pack and a calibrator kit. These items will benefit more than one period and should be capitalized. Provision for depreciation will be discussed under Depreciation Expense.

Rents

The \$1,916 recorded in this account was to recognize the free gas provided to the estate of the previous owner of the gas system and to a landowner as compensation for locating a meter house on his property. According to the billing analysis, these entities used 966 Mcfs of gas. Since no recognition of the 966 Mcfs of gas provided was included in the gas sales computations, no offsetting expense should be recognized.

Meter Reading Labor

Johnson County proposed reducing this account by \$4,575 for contractual services provided by Bud Rife Construction due to the proposal to add two field employees. Johnson County's pro forma adjustment also included an increase of \$8,320 for 25 percent of the proposed wages for two employees. The proposal to hire field employees was discussed under Mains and Services Labor.

Staff agrees with the proposal to remove the allowance for contractual services from test period expenses. The company made an error in computing the increase for the addition of employees. Twenty-five percent of the proposed wages at the levels requested is \$9,360 for a net increase to the account of \$4,785.

Accounting and Collecting Labor

Test period expenses did not include provision for accounting and collecting labor since this function was provided under the management contract with Bud Rife. Johnson County proposed that a bookkeeping and billing clerk be hired at a pay level of \$10 per hour for an annual wage of \$20,800. Mr. Rife said the current office employee for B & H will probably be transferred to Johnson County. Her current salary from B & H is \$7.50. He said she would not perform work for any of the other affiliated companies.

The salary level proposed for the bookkeeping and billing clerk is the same as that proposed for the field supervisor; however, the bookkeeping and billing clerk will not be supervising any other employees. Because of the difference in the level of responsibility, a slightly lower rate of pay would be appropriate. Staff has included provision for this employee at a rate of \$8.75 per hour, or an annual wage of \$18,200. This is half the difference between the current pay rate of \$7.50 and the requested rate of \$10.

Administrative and General Salaries

Test period expense included no provision for administrative and general salaries because the operation of Johnson County was handled through a management contract during 1998. Mr. Rife purchased the gas system in early 1999. Johnson County proposed a salary of \$2,500 per month or \$30,000 annually for Mr. Rife. During the field review, Mr. Rife reported that 35-40 percent of his time is devoted to Johnson County. He reports receiving the following salaries from his other companies:

B & H Gas	\$15,000
B & S	15,000
Bud Rife Construction	35-40,000

The 1997 annual report for B & H Gas reports an \$11,705 salary for Mr. Rife. The 1998 annual report listed a salary of \$9,805. The 1997 financial statements for B & S provided in Case No. 98-523¹ gave no indication of a salary but showed a \$14,000 withdrawal. The 1997 financial statements for Bud Rife Construction, also included in the case file for Case No. 98-523, reported payroll expense of \$15,262 although it cannot be determined whether this salary was for Mr. Rife or another employee. It appears Mr. Rife may not have a set salary from any of the other affiliated companies and his compensation may depend on the companies' financial results for the year.

The owner/manager salaries for small gas companies vary widely. The following were noted in the 1998 annual reports:

Elam Utility, Inc.	\$49,350
Mike Little Gas Co.	21,333
Mountain Utilities, Inc.	32,300
Sigma Gas Co.	18,000
Gasco Distribution Systems, Inc.	15,428

Considering that Johnson County is still struggling to become financially stable, the \$30,000 salary level suggested in the application appears excessive. Staff recommends a salary level of \$15,000.

Office Supplies and Expenses

Johnson County did not propose any adjustments to this account. Staff reduced the account by \$465 to adjust for a payment made to Mr. Rife for management services that was accounted for in Outside Services Employed. Test period expenses were

¹ Case No. 98-523, Application of Mr. Bud Rife and the Kentucky Municipal Gas Utility Investment Trust for the Approval of the Acquisition of the Stock of Johnson County Gas Company, Inc. of Paintsville, Johnson County, Kentucky, by Mr. Bud Rife and the Issuance of Two Promissory Notes Evidencing Certain Indebtedness of the JCGC.

reduced by \$173 to account for redistribution of the cell phone expense equally to four companies as previously discussed under Operation Supervision and Labor. The total reduction recommended for this account is \$638.

It was noted that some office supply expenses were allocated between two or three companies while others were paid entirely by Johnson County. General use office supplies should be allocated between all four companies that share office space using a reasonable allocation factor. No adjustment was made to test period expenses because it would be necessary to examine each invoice to determine whether it was for a specialized item that could be directly identified with a specific company and because any possible adjustment would not have had an impact on the final recommendation. However, for future financial reporting and future rate cases, Johnson County should take care to allocate these expenses in a reasonable and consistent manner to all companies that benefit from the expenses and keep adequate records to document the allocation.

Office utilities were also included in this account. Those items examined were allocated to Johnson County and two other companies. This expense should be allocated to all the companies that benefit from the expense. No adjustment was made because test period expenses did not include twelve months of utility expense so were somewhat understated. However, for future financial reporting and future rate cases, Johnson County should allocate office utilities to all the companies that share office space.

Outside Services Employed

Johnson County proposed reducing this account for the \$60,000 management fee paid to Mr. Rife during the test period since the company has proposed hiring employees to provide services rather continuing the management service contract. The company also proposed increasing accounting services by \$1,080 for preparation of quarterly financial statements required by the final order in Case No. 98-523. This represents ten hours at \$54 per hour for two quarters. During the field review, the company's CPA said this adjustment should be doubled to include the preparation of financial statements for the remaining two quarters. Johnson County also requested \$270, five hours at \$54 per hour, for tax research. An addition of \$1,350 for 25 hours of accounting services at \$54 per hour was added for preparation of the rate case.

Staff agrees with the proposal to eliminate the management fee. Test period expenses included \$1,000 for accounting services related to Case No. 98-523. Since this is a nonrecurring item, it should be removed from expenses. Staff recommends increasing expenses for accounting services by \$2,160 to provide for the preparation of quarterly financial statements; however, there should be an offsetting reduction to the expense for the preparation of the annual report and tax returns since much of the work required will have been done in connection with the preparation of the quarterly statements. Staff recommends the annual report and tax preparation fee be reduced by \$1,415. This leaves \$4,106 in test period expenses for the preparation of quarterly statements, the annual report, and tax returns. Staff disagrees with the request to increase accounting services by \$270 for tax research. According to the CPA, this research is related to the tax treatment of the debt restructuring and is a nonrecurring

item. The requested rate case expense of \$1,350 is not included here, but is addressed under Regulatory Commission Expenses. The total adjustment recommended to Outside Services Employed is a reduction of \$60,255.

Property Insurance

No adjustments to test period expense were proposed by Johnson County. Staff recommends disallowing the expense for commercial property insurance for the office building since this is an expense normally paid by the property owner. This will reduce expenses by \$183. Health insurance expense of \$738 should also be eliminated from this account since it is provided for in Employee Benefits. A total adjustment of \$921 is recommended for this account.

Injuries and Damages

The test period included no expenses in this account. Johnson County proposed increasing expenses by \$4,259 for workers' compensation coverage for the employees it intends to hire. A letter from Kentucky Farm Bureau Insurance Companies dated March 19, 1999 was provided as verification. The letter indicated the quote of \$4,259 was based on an annual payroll of \$87,000. Johnson County addressed this expense in Employee Benefits; however, the proper Uniform System of Accounts classification is Injuries and Damages.

Since Staff recommends reducing the annual payroll to a total of \$70,640 (field supervisor - \$20,800, general laborer - \$16,640, bookkeeping & billing clerk - \$18,200, owner/manager - \$15,000), the cost of workers' compensation coverage should be reduced proportionately. The quote of \$4,258.74 divided by the payroll used for the estimate of \$87,000 computes to a rate of \$0.048951 per payroll dollar. Applying this

rate to the recommended payroll of \$70,640 results in an expense of \$3,458 for workers' compensation coverage.

Employee Benefits

Johnson County proposed increasing expenses by \$5,905 to provide health insurance coverage for the three employees it plans to hire and for Mr. Rife. The cost per employee of \$123 per month was based on the amount paid during 1998 for single coverage through Blue Cross/Blue Shield. Johnson County did not propose to allocate any of the expense for Mr. Rife's coverage to any of the other affiliated companies.

The cost per employee appears reasonable; however, staff recommends allocating the cost of Mr. Rife's coverage equally between the four affiliated companies. The recommended increase for health insurance coverage is \$4,798 ($(\$123.03 \times 12 \text{ months} \times 3 \text{ employees}) + (\$123.03 \times 12 \text{ months} / 4)$).

Regulatory Commission Expenses

The only expense reported for the preparation of this rate case is \$1,350 for 25 hours of accounting services. Johnson County included the entire amount in pro forma expenses; however, it is normal ratemaking treatment to spread this type cost over several periods. Staff recommends that rate case expenses be amortized over three years for an increase to test period expenses of \$450.

Miscellaneous General Expenses

No adjustments to this account were proposed by Johnson County. The test period expenses included \$497 that could not be specifically identified. Staff reduced the account for this amount but recommends including membership dues to the Kentucky Gas Association in the amount of \$264 and drug testing in the amount of \$113

since these items are not included elsewhere. The net change recommended for this account is a decrease of \$120.

Rents (Office)

Test period expenses included rent expense for office space for two months at \$350 per month. Johnson County proposed to normalize this by increasing the expense by \$3,500 ($\350×10 months).

Mr. Rife owns the office building. According to the information provided by him, the monthly mortgage payment for the building is \$998. Mr. Rife said Johnson County, B & H, and Bud Rife Construction each pay \$350 per month for office rent (excluding utilities) for a total of \$1,050. Staff recommends that office rent be allocated equally to all four companies instead of three. This would mean a monthly rent payment of \$262.50 for each company ($\$1,050 / 4$ companies). An increase of \$2,450 is recommended for this account (262.50×12 months = \$3,150 - \$700 test period expense).

Transportation Expenses

Johnson County's pro forma adjustment to this account of \$2,580 represented half the total annual lease cost of \$5,160 ($\430 per month $\times 12$ months) for a 1997 4 WD Chevrolet S-10 extended cab truck. The truck was leased by Mr. Rife in June 1997. Mr. Rife said the truck is currently being used for Johnson County and he proposed that Johnson County assume the lease payments.

Mr. Rife said he leased the truck instead of purchasing to make sure he liked the vehicle. He expressed the intention to exercise the purchase option at the end of the lease. According to the lease agreement, the purchase price at the end of the lease

term will be \$14,250 plus taxes. Assuming Johnson County cannot pay cash, it would have to finance the purchase price and related taxes. Financing \$15,075 (purchase price plus sales tax) over 36 months at 9% interest would require monthly payments of \$479.38. The total paid for this truck over six years under this scenario would equal \$32,743 (36 months X 430.14 monthly lease expense plus 36 months X 479.38 monthly cost to finance purchase option).

Based on information obtained from the internet site autoweb.com, it appears a new 2-door Chevrolet S-10 with long wheel base, 4 wheel drive, air conditioning, and automatic transmission can be purchased for approximately \$20,179 including destination charge, title and license, and sales tax. Financing this amount over 60 months at the average rate for new car loans in Kentucky of 8.39% would require monthly payments of \$413. The total payments under this scenario would be \$24,780 (60 months X \$413). The difference between this and the total cost paid under the previous scenario would be over \$7,000 even after reducing the lease/purchase option cost by \$569 in property taxes paid during the lease period.

Staff recommends that the requested amount of \$5,160 be allowed for a vehicle because it is not materially different from the amount required to purchase a suitable truck when provision for property tax is included. This amount would be allowed in place of the cost of the lease for the 1996 Blazer. As explained under Operation Supervision and Labor, Staff recommends that the expense for the Blazer be eliminated from test period expense. Including this reduction of \$2,039, the net change to the account is an increase of \$3,121.

Johnson County should carefully analyze the costs of leasing versus purchasing future vehicles and be able to justify any decision from an economic standpoint in future rate cases. It should be noted that the lease agreement signed by Mr. Rife indicates the truck was leased with the understanding it would be used for personal, family or household use and the agreement indicates that there is a prohibition of transfer of the lessee's interest.

As previously noted, Mr. Rife said he spreads the expense for gasoline for the vehicle he uses to all the affiliated companies. He said he accomplishes this by randomly rotating the charge to the companies. This is not a systematic method of fairly allocating this expense. Assuming the vehicle is used exclusively for business, the time Mr. Rife devotes to each company would be a more appropriate allocation factor. This factor should be based on a time study covering several months at least. No adjustment was made for the amount of gasoline expense included in test period expenses. However, for future financial reporting and future rate cases, Johnson County should use a reasonable allocation factor to consistently distribute this expense to all the companies that benefit from the expense.

Depreciation Expense

Johnson County proposed a program to replace ten percent of its meters per year at a cost of \$100 per replacement. Assuming approximately 500 meters in the system, this would entail replacing 50 meters each year with an increase to plant of \$5,000 annually. Johnson County used a seven-year depreciable life for an annual increase to depreciation expense of \$716.

In reviewing the depreciation schedule Johnson County provided in its application, the Commission's Engineering Staff determined a number of the depreciable lives used by Johnson County were not within the range normally considered acceptable by the Commission. Depreciation expense was recalculated using the undepreciated book balance and remaining useful life at 12/31/98, determined by considering the original in-service date and the useful life assigned by the Engineering Staff. Staff's calculation of depreciation expense is shown in Attachment 1. The change to depreciation expense due to the change in the depreciable lives is a reduction of \$3,279 (\$38,791 test period expense minus \$35,512 staff computed expense).

Staff recommends that the proposal to increase depreciation expense for a plan to replace meters be disallowed. Johnson County has not initiated this program so it is not included in the historic test period. Additionally, it may not be necessary to replace all meters. It may be feasible to test and repair the meters rather than replacing them all. Test period expenses already include \$2,680 for meter testing and repairing which should be adequate.

Staff recommended capitalizing a flame pack and a calibrator kit that were expensed during the test period. This is an increase to plant of \$3,175. Depreciating this equipment over seven years will increase depreciation expense by \$453. Staff recommends a net reduction to the depreciation expense account of \$2,826.

Taxes Other Than Income Taxes

Johnson County proposed a reduction of \$12,573 to remove 1994 and 1995 county property taxes and 1995 state property taxes from test period expenses. It also

proposed an increase of \$7,390 for payment of payroll taxes using an anticipated payroll of \$88,240.

Staff agrees with the proposal to eliminate \$12,573 in prior period taxes from the test period; however, an additional \$1,436 should be eliminated for 1996 state property taxes and \$410 for penalties and interest assessed due to the late payment of property taxes. Expenses should be increased by \$4,814 for 1997 county property taxes that were not included in test period expenses. Staff recommends an increase of \$6,044 for payroll taxes based on the payroll recommended for ratemaking purposes of \$70,640. Staff also recommends normalizing the amount included in test year expenses for the PSC assessment. Using the Staff adjusted test year operating revenues and the PSC assessment rate for 1999, the normalized assessment is \$333 ($\$199,773.37 \text{ normalized operating revenues} \times .001667$). Test period expense of \$527 would be reduced by \$194 to reflect the normalized PSC assessment. The total adjustment recommended for this account is a decrease of \$3,755.

Based on the recommendations proposed in this Staff Report, Johnson County's adjusted operations are as shown in Attachment 2.

Corporate income taxes have not been addressed. Given the increase requested by Johnson County compared to the pro forma operating expenses, the company would not be expected to have any taxable income and would not be expected to be liable for any income tax expense.

D. Revenue Requirements

In its application, Johnson County included a worksheet computing a revenue requirement using the operating ratio method. Using an 88 percent ratio, Johnson

County determined its revenue requirement to be \$341,672; however, the company requested an amount smaller than it determined necessary to satisfy its revenue requirements due to the likelihood of losing customers if the entire requirement was recovered. Johnson County requested rates designed to produce total revenues of \$267,280. It should be noted that Johnson County used unadjusted test period numbers in the revenue requirement calculation so none of its requested pro forma changes were reflected.

Staff has determined the net investment rate base for Johnson County to be \$653,809 calculated as follows:

	12/31/98	Staff Adjustments	Staff Adjusted 12/31/98
Gas Plant in Service	\$1,310,148	\$3,175	\$1,313,323
Accumulated Depreciation	(673,975)	(222)	(674,197)
Working Capital		14,666	14,666
Total Rate Base	\$636,173	\$17,619	\$653,793

Working Capital Allowance:	
Total Operating & Maintenance Expenses	\$215,368
Less: Gas Purchases	(98,038)
Subtotal	117,330
Multiply by 1/8	0.125
Working Capital Allowance	\$14,666

In Johnson County's past several rate cases, the Commission has calculated revenue requirements based on the return on net investment rate base method. Under this method, the utility's allowed return is applied to rate base to determine required operating income.

At this time, there is no net stockholder investment in Johnson County. Virtually all plant is supported by a government-subsidized loan bearing an interest rate of four percent. Using a six percent return, which is two percent greater than the cost of the

capital supporting rate base, the required operating income would be \$39,228. Considering the staff adjusted test period operating deficit of \$75,308, the increase in revenues required using the rate of return on net investment rate base would be \$114,674. This exceeds the requested increase of \$78,639². The calculation would be as follows:

Net Investment Rate Base	\$653,792
Recommended Return	6%
Required Operating Income	<u>39,228</u>
Adjusted Operating Income	<u>(75,308)</u>
Revenue Deficit	<u><u>\$114,536</u></u>

Considering Johnson County's concern that too large of an increase may result in a loss of customers, staff recommends that the rate increase be limited to the amount requested by the company. The increase of \$78,639 should provide sufficient cash flow to allow Johnson County to meet its operating expenses.

Rate Design and Rates

Johnson County's current and proposed rates are as follows:

	<u>Current</u>	<u>Proposed</u>
<u>Residential</u>		
Customer Charge	\$3.00	
All Mcf	\$6.40	
Minimum Bill: 0 – 2 Mcf		\$17.50
All Additional Mcf		\$ 8.85
<u>Commercial</u>		
Customer Charge	\$3.00	
All Mcf	\$6.40	
All Mcf		\$ 9.85

² Total revenues at Johnson County's proposed rates		\$267,280
Normalized revenue:		
Gas sales revenues	\$166,067	
Customer charge revenues	17,460	
Other revenues	<u>5,114</u>	<u>188,641</u>
Increase requested		<u>\$ 78,639</u>

In informal discussions with Staff prior to filing its application, Johnson County indicated that it proposed changing its residential rate design in order to produce greater revenues during the non-heating season to cover fixed costs. Staff recognizes the need to generate more revenue during the non-heating season but believes the proposed minimum bill is excessive and would be unfair to customers using less than 2 Mcf. All gas distribution companies have the same concerns about generating revenues in the "off-season" but only 2 of more than 30 distribution companies regulated by the Commission have a minimum bill that covers usage from 0 to 2 Mcf. All others have minimum bills that cover zero usage or 0 to 1 Mcf. Staff believes a significant increase in Johnson County's minimum bill is warranted, but that it should only cover usage of 0 to 1 Mcf. Due to the larger volumes consumed by Johnson County's commercial customers Staff accepts the proposed rate design for that customer class.

Based on the recommended level of revenues of \$267,280, staff recommends the following rates for Johnson County:

	<u>Residential</u>	<u>Commercial</u>
Minimum Bill:		
0 – 1 Mcf	\$10.50	
All Additional Mcf	\$ 9.50	
All Mcf		\$9.85

E. Signatures



Prepared By: Beverly B. Davis
Manager, Financial Audit Branch
Division of Financial Analysis



Prepared By: Dawn McGee
Public Utility Rate Analyst I
Electric and Gas Rate Design Branch
Division of Financial Analysis

ATTACHMENT 1 TO THE STAFF REPORT ON
JOHNSON COUNTY GAS COMPANY, INC., CASE NO. 99-155

Proforma Depreciation
12/31/99

Date	Description	Depr Life per JCGC	Depr Life per Staff	Depr Life Remaining	Cost	Accum Depr 12/31/98	Cost Not Yet Depr	Annl Exp Per Staff
09/15/89	Furniture	MACRS 5	fd		5,140	5,140	0	0
10/15/89	Mains	MACRS 15	35	25.78	1,546	1,064	482	19
02/05/90	Regulator	20	25	16.09	3,256	1,453	1,803	112
04/13/90	Safety Equipment	MACRS 7	fd		1,048	1,048	0	0
09/01/91	1991 Mains Relocate	30	35	27.66	4,388	1,071	3,317	120
01/01/81	Mains & Lines	35	nc		1,148,416	621,391	527,025	31,002
02/06/87	1" by 1" Regulator	20	25	13.09	712	494	218	17
03/12/87	1 A Meter	20	25	13.19	197	137	60	5
08/06/90	Mains Additions	30	35	26.59	1,479	413	1,066	40
06/14/91	Mains Additions 1991	30	35	27.45	10,058	2,541	7,517	274
08/09/91	Telephones	7	fd		424	424	0	0
12/01/91	Meter 1991	20	25	17.91	478	170	308	17
04/09/91	Equipment	7	fd		505	505	0	0
06/05/91	Equipment	7	fd		716	716	0	0
06/10/92	1992 Mains Addition	30	35	28.44	71,000	15,385	55,615	1,956
06/30/93	1993 Mains	15	35	29.49	49,417	18,117	31,300	1,061
05/10/94	1994 Mains	15	35	30.35	2,271	755	1,516	50
09/12/94	1994 Mains	15	35	30.70	625	210	415	14
11/09/94	1994 Mains	15	35	30.85	1,731	575	1,156	37
05/17/95	Odometer	7	15	11.37	1,723	904	819	72
09/15/95	Electric Generator	7	nc		615	293	322	88
03/14/97	Computer/Printer	7	nc		3,488	913	2,575	498
10/12/98	Copier	7	nc		917	33	884	131
					<u>1,310,149</u>	<u>673,752</u>	<u>636,397</u>	<u>35,512</u>

fd Fully Depreciated
nc No Change

ATTACHMENT 2 TO THE STAFF REPORT ON
JOHNSON COUNTY GAS COMPANY, INC., CASE NO. 99-155

Acct. Title	Test Year Amount	Staff Adjustments	Staff Adjusted Test Year
Total Gas Operating Revenues	\$236,808	(\$48,167)	\$188,641
Operating Expenses			
Natural Gas Purchased	127,566	(29,528)	98,038
Operations Supervision Labor	9,269	(6,854)	2,415
Mains & Services Labor	20,731	7,349	28,080
Mains & Services Supplies & Exp	9,552	(3,175)	6,377
Rents	1,916	(1,916)	0
Meter Reading Labor	4,575	4,785	9,360
Accounting & Collecting Labor	0	18,200	18,200
Supplies & Expenses	3,000	0	3,000
Administrative & General Salaries	0	15,000	15,000
Office Supplies & Expenses	3,259	(638)	2,621
Outside Services Employed	64,361	(60,255)	4,106
Property Insurance	5,669	(921)	4,748
Injuries and Damages	0	3,458	3,458
Employee Benefits	0	4,798	4,798
Regulatory Commission Expenses	0	450	450
Miscellaneous General Expense	3,237	(120)	3,117
Rents	700	2,450	3,150
Transportation Expense	5,328	3,121	8,449
Total Operation & Maint Expenses	259,163	(43,795)	215,368
Depreciaton Expense	38,791	(2,826)	35,965
Taxes Other Than Income	16,371	(3,755)	12,616
Total Gas Operating Expenses	314,325	(50,376)	263,949
Net Operating Income	(77,517)	2,209	(75,308)
Interest Expense		29,124	29,124
Net Income	(\$77,517)	(\$26,915)	(\$104,432)



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

May 10, 1999

Bud Rife
Manager
Johnson County Gas Company, Inc.
P. O. Box 339
Harold, KY. 41635

RE: Case No. 99-155
JOHNSON COUNTY GAS COMPANY, INC.

The Commission staff has reviewed your response of May 6, 1999 and has determined that your application in the above case now meets the minimum filing requirements set by our regulations. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further information, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sh
Enclosure

CASE 99-155

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

FILED

MAY 6 1999

PUBLIC SERVICE
COMMISSION

Johnson Co. Gas Co. Inc.
Name of Utility

P.O. Box 339

Harold, KY. 41635

Business Mailing Address

Telephone Number 606 / 789-5481

Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and telephone number of the person to whom
correspondence or communications concerning this application should
be directed:

NAME: Bud Rife

Address: P.O. Box 339

Harold, KY. 41635

Telephone Number: 606-478-5264

- | | | | |
|----|---|------------|----|
| 1) | Do you have 500 customers or fewer? | <u>Yes</u> | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? | <u>Yes</u> | No |
| 3) | Has the utility filed an annual report with this Commission for the past year and the two previous years? | <u>Yes</u> | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | <u>Yes</u> | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

RECEIVED
APR 14 1999
PUBLIC SERVICE
COMMISSION

Johnson County Gas Company

P. O. Box 339
Harold, KY 41635
Office (606) 789-5481
Fax (606) 478-5266

RECEIVED
MAY 06 1999
PUBLIC SERVICE
COMMISSION

April 30, 1999

Helen Helton
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602

Matter of:

Johnson County Gas Company Inc.)
(Rate-ARF))
Filing of Public Notice)

Case No. 99-155

RE: Case No. 99-155
Filing Deficiencies

Bud Rife respectfully submits this notice to the Public Service Commission for the ARF, 99-155. We are sending the six copies with this letter.

Thank You



Bud Rife
President
Johnson County Gas Company

BR/dw
Enclosures

THE PAINTSVILLE HERALD

604 W. THIRD ST.
PAINTSVILLE KY 41240

ADVERTISING INVOICE

3	STATEMENT	PAGE	1	4	BILLING DATE	04/30/99	5	BILLING PERIOD	APRIL 30, 1999
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2	BILLED ACCOUNT
JOHNSON COUNTY GAS COMPANY P O BOX 339 HAROLD, KY 41635	

7	BILLED ACCOUNT NO.	110499-01	8	ADVERTISER/CLIENT NO.	110499-01
---	--------------------	-----------	---	-----------------------	-----------

9	NAME OF ADVERTISER/CLIENT	JOHNSON COUNTY GAS
---	---------------------------	--------------------

FOR INVOICE INFORMATION CALL 6061789-5315

DATE	12 13 14	CHARGE OR CREDITS DESCRIPTION PEOBRC. CODE	17	BILLED UNITS	18	RATE	20	NET AMOUNT
		PREVIOUS BALANCE						.00
4/14		LEGAL HERALD		12 I		5.35		64.20
		RATE CHANGE						
4/21		LEGAL HERALD		12 I		5.35		64.20
		RATE CHANGE						
4/28		LEGAL HERALD		12 I		5.35		64.20
		RATE CHANGE						

30 DAYS	AGING 60 DAYS	90 DAYS	25	TOTAL AMOUNT DUE
.00	.00	.00		192.60

22	CURRENT NET AMOUNT	192.60
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TERMS: 1.5% INTEREST CHARGED ON BALANCE UNPAID AFTER 30 DAYS

DETACH AND RETURN THIS PORTION WITH YOUR PAYMENT

COMMENTS
TEARSHEETS: 1

↑ GET BACK AND RETURN THIS PORTION ↓

26	BILLED ACCOUNT NO.	110499-01
----	--------------------	-----------

27	BILLED ACCOUNT NAME	JOHNSON COUNTY GAS
----	---------------------	--------------------

AMOUNT DUE	192.60
------------	--------

28	RETURN TO
THE PAINTSVILLE HERALD 604 W. THIRD ST. PAINTSVILLE KY 41240	

SEE REVERSE SIDE
FOR IMPORTANT INFORMATION

PAINTSVILLE HERALD • WEDNESDAY, APRIL 14, 1999 • PAGE B9

fieds

NOTICE OF PUBLIC SALE

The following items will be offered at public sale on April 16, 1999, at 11:00 a.m. at Tackett's Muffler Shop, 11505 Main Street, Martin, Kentucky: 1991 Plymouth Laser, Serial 4P3CS44R4ME038619.

If items are sold "as is here is." Seller reserves the right to bid and to reject any or all bids. Items are to be paid following the sale. If satisfactory arrangements are made with the seller. Announcement at sale takes priority over advertisement to pay all taxes and transfer fees.

Terry Sizemore
Citizens National Bank
P.O. Box 1488
Paintsville, KY 41240

NOTICE OF PROPOSED RATE CHANGE

The rates contained in this notice are the rates proposed by Johnson Gas Company Incorporated. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this notice.

CURRENT RATES

Commercial and Residential
\$10.68 per MCF

PROPOSED RATES

Residential:

First 2 MCF \$17.50 per MCF (min. bill)
over 2 MCF \$8.85 per MCF

Commercial:

First 2 MCF \$9.50 per MCF (min bill)
over 2 MCF's \$9.85 per MCF

The rates contained in this notice are the rates proposed by Johnson County Gas Company Incorporated. However, the Public Service Commission may order rates to be charged that differ from the proposed rates. Such action may result in rates for consumers other than the rates included in this notice. Any corporation, association, body politic, or person may request to intervene by motion 30 days after notice of proposed change is given. The motion shall be submitted to the Public Service Commission, 730 Schenkel Lane, P.O. Box 615, Frankfort, Kentucky 40602 and shall set forth the grounds for the request including the status and interest of the party.

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PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

April 26, 1999

Bud Rife
Manager
Johnson County Gas Company, Inc.
P.O. Box 339
Harold, KY 41635

Re: Case No. 99-155
Filing Deficiencies

Dear Mr. Rife:

The Commission staff has reviewed your application in the above case. This filing is rejected pursuant to 807 KAR 5:001, Section 2, for the reasons set forth below. These items are either required to be filed with the application or to be referenced in the application if they are already on file in another case or will be filed at a later date.

Filing deficiency pursuant to 807 KAR 5:011, Section 9 (2):

Copy of public notice.

The statutory time period in which the Commission must process this case will not commence until the above-mentioned information is filed with the Commission. You are requested to file six copies of this information within 15 days of this letter. If you need further information, please contact James Goff of my staff at 502-564-3940, extension 261.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

sh





COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

April 16, 1999

Bud Rife
Manager
Johnson County Gas Company, Inc.
P. O. Box 339
Harold, KY. 41635

RE: Case No. 99-155
JOHNSON COUNTY GAS COMPANY, INC.
(Rates - ARF)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received April 14, 1999 and has been assigned Case No. 99-155. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

Stephanie J. Bell
Stephanie Bell
Secretary of the Commission

SB/jc

original

CASE 99-155

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

FILED

MAY 6 1999

RECEIVED
APR 14 1999
PUBLIC SERVICE
COMMISSION

PUBLIC SERVICE
COMMISSION

Johnson Co. Gas Co. Inc.
Name of Utility

P.O. Box 339

Harold, KY. 41635

Business Mailing Address

Telephone Number 606 / 789-5481
Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and telephone number of the person to whom correspondence or communications concerning this application should be directed:

NAME: Bud Rife

Address: P.O. Box 339

Harold, KY. 41635

Telephone Number: 606-478-5264

- 1) Do you have 500 customers or fewer? Yes No
- 2) Do you have \$300,000 in Gross Annual Revenue or less? Yes No
- 3) Has the utility filed an annual report with this Commission for the past year and the two previous years? Yes No
- 4) Are the utility's records kept separate from any other commonly-owned enterprise? Yes No

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for this rate revision is the one filed with the Commission for the 12 months ending December 31, 1998.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

<u>Item Per</u> <u>Annual Report</u>	<u>Amount Per</u> <u>Annual Report</u>		<u>Increase</u> <u>(Decrease)</u>	<u>Adjusted</u> <u>Amount</u>
<u>Revenue</u>	\$ 247,504		30,908	278,412
Total Revenue	\$ 247,504		30,908	278,412
	<hr/>		<hr/>	<hr/>
<u>Expense</u>				
Natural Gas Purchases	127,566	A)	(29,337)	98,229
Operations Supervision Labor	9,269	B)	(1,995)	7,274
Mains & Service Labor	20,731	C)	12,949	33,680
Mains & Service Supplies & Exp	9,552		-0-	9,552
Rents	1,916		-0-	1,916
Meter Reading Labor	4,575	D)	3,745	8,320
Accounting & Collecting Labor	-0-	E)	20,800	20,800
Supplies & Expense	3,000		-0-	3,000
Adm & General Salaries	-0-	F)	30,000	30,000
Office Supplies & Expense	3,259		-0-	3,259
Outside Services Employed	64,361	G)	(57,300)	7,061
Property Insurance	5,669		-0-	5,669
Employee Benefits	-0-	H)	10,164	10,164
Misc General Expense	3,237		-0-	3,237
Rents	700	I)	3,500	4,200
Transportation Expense	5,328	J)	2,580	7,908
Depreciation Expense	38,791	K)	716	39,507
Taxes Other Than Income	16,371	L)	(5,183)	11,188
	<hr/>		<hr/>	<hr/>
Total Gas Operating Expenses	314,325		(9,361)	304,964
NET OPERATING INCOME	(66,821)			(26,552)
	<hr/>		<hr/>	<hr/>
Interest Expense	-0-	M)	29,260	29,260
	<hr/>		<hr/>	<hr/>
NET INCOME	<u>(66,821)</u>			N) <u>(55,812)</u>

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

See Attached Notes Attached

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
Residential & Commercial	10.68		
Residential		(2 MCF) 17.50 (min. bill) next MCF's will be \$8.85	
Commercial		(2 MCF) 9.50 (min. bill) next MCF's will be \$9.85	

A surcharge of \$.4155 per MCF shall be added to the approved rates until the obligation owed to KY. West Virginia Gas Company has been discharged or is recalculated.

III. Other Information

a. Please complete the following questions:

1) Please describe any events or occurrences which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

2) Total number of customers as of the date of filing: 491

3) Total amount of increased revenue requested 30,908

4) Please circle Yes or No:

a) Does the utility have outstanding indebtedness? Yes No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

b) Were all revenues and expenses listed in the Annual Report for 1998 incurred and collected from January 1 to December 31 of that year? Yes No

If no, list total revenue and total expense incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

- 5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 1998 and the amount shown on this schedule.
- 6) If utility is a sewer utility:
 - a) Attach a copy of the latest State and Federal Income Tax Returns.
 - b) How much of the utility plant was recovered through the sale of lots or other contributions _____ \$ or %? (If unknown, state the reason.)

N/A

- b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

The restructuring of rates is necessary to enable the company to meet operating expenses during the summer months.

Shareholders of Johnson County Gas Co., Inc. have decided to ask for a reduced amount than is needed to satisfy the Revenue Requirement Calculation. The reasoning is the possible, and no doubt probable loss of customers if the entire amount is satisfied.

IV. Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using a declining block rate design. This billing analysis is not intended for companies using a flat rate design.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns numbered 2 and 3 are completed by using information obtained from usage records.

Columns numbered 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1st 2,000 gallons minimum bill rate level
432 Bills
518,400 gallons used
All bills use 2,000 gallons or less, therefore,
all usage is recorded in Column 4.

Step 2: Next 3,000 gallons rate level
1,735 Bills
4,858,000 gallons used
1st 2,000 minimum x 1,735 bills = 3,470,000
gallons - record in Column 4
Next 3,000 gallons - remainder of water over
2,000 = 1,388,000 - record in Column 5

Step 3: Next 10,000 gallons rate level
 1,830 Bills
 16,268,700 gallons used
 1st 2,000 minimum x 1,830 bills = 3,660,000
 gallons - record in Column 4
 Next 3,000 gallons x 1,830 bills = 5,490,000
 gallons - record in Column 5
 Next 10,000 gallons - remainder of water over 3,000
 = 7,118,700 gallons - record in Column 6

Step 4: Next 25,000 gallons rate level
 650 Bills
 15,275,000 gallons used
 1st 2,000 minimum x 650 bills = 1,300,000
 gallons - record in Column 4
 Next 3,000 gallons x 650 bills = 1,950,000
 gallons - record in Column 5
 Next 10,000 gallons x 650 bills = 6,500,000
 gallons - record in Column 6
 Next 25,000 gallons - remainder of water over 10,000
 = 5,525,000 gallons - record in Column 7

Step 5: Over 40,000 gallons rate level
 153 Bills
 9,975,600 gallons used
 1st 2,000 minimum x 153 bills = 306,000
 gallons - record in Column 4
 Next 3,000 gallons x 153 bills = 459,000
 gallons - record in Column 5
 Next 10,000 gallons x 153 bills = 1,530,000
 gallons - record in Column 6
 Next 25,000 gallons x 153 bills = 3,825,000
 gallons - record in Column 7
 Over 40,000 gallons - remainder of water over 25,000
 = 3,855,600 gallons - record in Column 8

Step 6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains revenue produced.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, Kentucky 40602

Telephone: 502/564-3940

c. One copy of the completed application should also be sent at the same time to:

Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502/564-3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed Bud The
Officer of the Company

Title President

Date 4/9/99

II INCREASED COST INFORMATION					
		Amount Per		Increase	Adjusted
		Annual Report		(Decrease)	Amount
	NATURAL GAS SALES	247504		30908	278412
	OPERATING EXPENSES:				
730	NATURAL GAS PURCHASED	127566	A)	-29337	98229
	OPERATIONS SUPERVISION LABOR	9269	B)	-1995	7274
761	MAINS & SERVICE LABOR	20731	C)	12949	33680
762	MAINS & SERVICE SUPPLIES & EXPENSE	9552		0	9552
766	RENTS	1916		0	1916
901	METER READING LABOR	4575	D)	3745	8320
902	ACCOUNTING & COLLECTING LABOR	0	E)	20800	20800
903	SUPPLIES & EXPENSE	3000		0	3000
920	ADMINISTRATIVE & GENERAL SALARIES	0	F)	30000	30000
921	OFFICE SUPPLIES & EXPENSE	3259		0	3259
923	OUTSIDE SERVICES EMPLOYED	64361	G)	-57300	7061
924	PROPERTY INSURANCE	5669		0	5669
926	EMPLOYEE BENEFITS	0	H)	10164	10164
930.2	MISCELLANEOUS GENERAL EXPENSE	3237		0	3237
931	RENTS	700	I)	3500	4200
933	TRANSPORTATION EXPENSE	5328	J)	2580	7908
403	DEPRECIATION EXPENSE	38791	K)	716	39507
408.1	TAXES OTHER THAN INCOME	16371	L)	-5183	11188
	TOTAL GAS OPERATING EXPENSES	314325		-9361	304964
	NET OPERATING INCOME	-66821			-26552
427	INTEREST EXPENSE	0	M)	29260	29260
	NET INCOME	-66821			N) -55812

A) Natural Gas Purchases:

Natural Gas Purchases per 1998 Annual Report	127566
Adjustments:	
Decrease due to Payoff of Cenerprise Debt	-26824
Decrease due to MCF Price Decrease	<u>-2513</u>
Expected 1999 Natural Gas Purchases Cost	<u><u>98229</u></u>

1998 MCFs Sold	26912
Times 1999 Cost per MCF (See Gas Purchase Agreement Attached - Schedule A2)	x <u>3.65</u>
Expected 1999 Natural Gas Purchases Cost	<u><u>98229</u></u>

B) OPERATION SUPERVISION & LABOR

Operation Supervision & Labor per 1998 Annual Report	9269
Adjustments:	
Decrease due to reduction in Contract Labor	-4575
Increase due to Leasing of an addition vehicle	<u>2580</u>
Expected 1999 Operations Supervision Labor	<u><u>7274</u></u>

A new vehicle will be leased, and will be used for general business of JCGC as well as supervision purposes. The cost of this lease will be divided between Transportation Expense and Operations Supervision Labor.

The quote we have received on the new vehicle is \$430.00 per month.

	430
	x 12
TOTAL ANNUAL LEASE PAYMENTS	<u>5160</u>

Divided between the two accounts	<u>2</u>
Additional cost applicable to Operations & Supervision Labor for 1999	<u><u>2580</u></u>

C) MAINS & SERVICE LABOR

Mains & Service Labor per 1998 Annual Report	20731
Adjustments:	
Decrease of Contracted Labor	-15131
Increase due to Employee Expense(See Below)	<u>28080</u>
Expected 1999 Mains & Service Labor Cost	<u><u>33680</u></u>

In 1999 Mains & Service Labor was made up of Work which was contracted out. Johnson County Gas Co. will hire two employees.

Job Description: General Repair & Maintenance of Lines and Meter Reading

Estimated based on our experience that 75% of the labor will pertain to Mains & Service Labor, and 25% of the labor will pertain to Meter Reading Labor.

		<u>%</u>	
		<u>0.75</u>	<u>0.25</u>
Supervisory Position:			
(40 hours per week times 52 weeks times \$10.00 per hour)	20800	15600	5200
General Laborer Position:			
(40 hours per week times 52 weeks times \$8.00 per hour)	16640	12480	3120
		<u><u>28080</u></u>	<u><u>8320</u></u>

D) METER READING LABOR

Meter Reading Labor per 1998 Annual Report	4575
Adjustments:	
Decrease of Contracted Labor	-4575
Increase due to Employee Expense(See Below)	<u>8320</u>
Expected 1999 Meter Reading Labor Cost	<u><u>8320</u></u>

In 1999 Meter Reading Labor was made up of Work which was contracted out.
Johnson County Gas Co. will hire two employees.

Job Description: General Repair & Maintenance of Lines and Meter Reading

Estimated based on our experience that 75% of the labor will pertain to
Mains & Service Labor, and 25% of the labor will pertain to Meter Reading Labor.

		%	
		<u>0.75</u>	<u>0.25</u>
Supervisory Position:			
(40 hours per week times 52 weeks times \$10.00 per hour)	20800	15600	5200
General Laborer Position:			
(40 hours per week times 52 weeks times \$8.00 per hour)	16640	12480	3120
		<u><u>28080</u></u>	<u><u>8320</u></u>

E) ACCOUNTING & COLLECTING LABOR

Accounting & Collecting Labor per 1998 Annual Report 0

Adjustments:

Increase due to Employee Expense(See Below) 20800

Expected 1999 Accounting & Collecting Labor Cost 20800

In 1999 the Accounting & Collecting Labor was included in the amount paid Bud Rife for a Management Fee.

Johnson County Gas Co. will hire one employees to perform Accounting & Collecting Functions.

Job Description: Bookkeeping & Billing Clerk

Accounting & Collecting Position:

(40 hours per week times 52 weeks times \$10.00 per hour) 20800

F) ADMINISTRATIVE & GENERAL LABOR

Administrative & General Labor per 1998 Annual Report 0

Adjustments:

Increase due to Employee Expense(See Below) 30000

Expected 1999 Administrative & General Labor Cost 30000

In 1999 the Administrative & General Labor was included in the amount paid Bud Rife for a Management Fee.

Administrative & General Position:
Salary to Bud Rife (2500.00 x 12) 30000

G) OUTSIDE SERVICES EMPLOYED

Outside Services Employed per 1998 Annual Report	64361
Adjustments:	
Decrease of Management Fee Paid Bud Rife	-60000
Increase in Accounting Services Employed	<u>2700</u>
Expected 1999 Natural Gas Purchases Cost	<u><u>7061</u></u>

Additional Accounting Expenses will be required for the preparation of financial statements on a quarterly basis, tax research and for PSC work.

Quarterly Financials (6/30 & 9/30):

Estimated hrs = 10 @ \$54.00 x 2 Statements	1080
Tax Research - (5 hrs @ \$54.00)	270
PSC Work - (25 hrs @ \$54.00)	<u>1350</u>
Additional Accounting Work for 1999	<u><u>2700</u></u>

H) EMPLOYEE BENEFITS

Employee Benefits per 1998 Annual Report	0
Adjustments:	
Increase due to Workers Compensation Insurance(See Quote Attached)	4259
Increase due to Health Insurance Paid for Employees	<u>5905</u>
Expected 1999 Employee Benefits Cost	<u><u>10164</u></u>

The Health Insurance Rates which JCGC would be paying has been determined to be \$123.03 per employee per month.

Rate per Employee	123
Times # of employees	<u>4</u>
	492
Times 12 months	<u>12</u>
Health Insurance Benefits expected in 1999	<u><u>5905</u></u>

I) RENTS

Rents per 1998 Annual Report	700
Adjustments:	
Increase due to entire year rent payments	<u>3500</u>
Expected 1999 Rent	<u><u>4200</u></u>

In 1998 JCGC paid \$350.00 a month for two months.
In 1999 JCGC we begin paying \$350.00 a month for the entire year therefore there will be additional 10 months of rent to be paid in 1999.

Rent per month	350
Times 10 months	<u>10</u>
Additional Rent Expense for 1999	<u><u>3500</u></u>

J) TRANSPORTATION EXPENSE

Transportation Expense per 1998 Annual Report	5328
Adjustments:	
Increase due to Leasing of an addition vehicle	<u>2580</u>
Expected 1999 Transportation Expense	<u><u>7908</u></u>

A new vehicle will be leased, and will be used for general business of JCGC as well as supervision purposes. The cost of this lease will be divided between Transportation Expense and Operations Supervision Labor.

The quote we have received on the new vehicle is \$430.00 per month.

	430
	x 12
TOTAL ANNUAL LEASE PAYMENTS	<u>5160</u>

Divided between the two accounts	<u>2</u>
Additional cost applicable to Transportation Expense for 1999	<u><u>2580</u></u>

K) DEPRECIATION EXPENSE

Depreciation Expense per 1998 Annual Report	38791
Adjustments:	
Increase due to Meter Replacements	<u>716</u>
Expected 1999 Depreciation Expense	<u><u>39507</u></u>

Johnson County Gas Co. will replace 10% of it's meters a year.

Total Meters in system	500
Times 10%	<u>0.10</u>
	50
Times Cost of replacement	<u>100.00</u>
Total Equipment Additions	<u><u>5000</u></u>

See 1999 Depreciation Schedule Attached.

JOHNSON COUNTY GAS COMPANY, INC.

ASSETS & A/D
ESTIMATED - BOOKS

DATE	DESCRIPTION	METHOD/LIFE	COST/BASIS	A/D - BEG	DEPR EXP	A/D - END
9/15/89	FURNITURE	MACRS/5YR	5140.00	5140.00	0.00	5140.00
10/15/89	MAINS	MACRS/15YR	1546.00	1064.00	96.00	1160.00
2/5/90	REGULATOR	SL/20YR	3256.00	1453.00	163.00	1616.00
4/13/90	SAFETY EQUIPMENT	MACRS/7 YR	1048.00	1048.00	0.00	1048.00
9/1/91	1991 MAINS RELOCATE	SL/30YR	4388.00	1071.00	146.00	1217.00
1/1/81	MAINS AND LINES	SL/35YR	1148415.89	621391.00	31002.00	652393.00
2/6/87	1" X 1" REGULATOR	SL/20YR	712.00	494.00	36.00	530.00
3/12/87	1 A METER	SL/20YR	197.00	137.00	10.00	147.00
1/1/88	PURCHASE ADJUSTMENT	30 YR	42673.00	0.00	0.00	0.00
8/6/90	MAINS ADDITIONS	SL/30YR	1479.00	413.00	49.00	462.00
6/14/91	MAINS ADDITIONS 1991	SL/30YR	10058.00	2541.00	335.00	2876.00
8/9/91	TELEPHONES	SL/7YR	424.00	424.00	0.00	424.00
12/1/91	METER 1991	SL/20YR	478.00	170.00	24.00	194.00
4/9/91	EQUIPMENT	SL/7YR	505.00	505.00	0.00	505.00
6/5/91	EQUIPMENT	SL/7YR	716.00	716.00	0.00	716.00
6/10/92	1992 MAINS ADDITION	SL/30YR	71000.00	15385.00	2367.00	17752.00
6/30/93	1993 MAINS	SL/15YR	49417.00	18117.00	3294.00	21411.00
5/10/94	1994 MAINS	SL/15YR	2270.52	755.00	151.00	906.00
9/12/94	1994 MAINS	SL/15YR	625.40	210.00	42.00	252.00
11/9/94	1994 MAINS	SL/15YR	1731.19	575.00	115.00	690.00
5/17/95	ODOMETER	SL/7YR	1722.77	904.00	246.00	1150.00
9/15/95	ELECTRIC GENERATOR	SL/7YR	614.62	293.00	88.00	381.00
3/14/97	COMPUTER / PRINTER	SL/7YR	3488.00	913.00	498.00	1411.00
10/12/98	COPIER	SL/7YR	917.00	33.00	131.00	164.00
1/1/99	METER REPLACEMENTS	SL/7YR	5000.00	0.00	714.00	714.00
			1357822.39	673752.00	39507.00	713259.00

L) TAXES OTHER THAN INCOME

Taxes Other Than Income per 1998 Annual Report	16371
Adjustments:	
Decrease due to multiple years Property Taxes in 1998	-12573
Increase due to Payroll Taxes	<u>7390</u>
Expected 1999 Taxes Other Than Income	<u><u>11188</u></u>

In 1998 JCGC had no payroll, therefore no payroll taxes.

	<u>Fica/MC</u>
1999 Expected Gross Payroll	88240
Fica/MC Employer Rate	<u>0.0765</u>
1999 Fica/MC Expense	<u><u>6750</u></u>

	<u>FUTA</u>
Federal Unemployment is taxed on the first \$7,000 of Wages per Employee.	
(7,000 x 4 employees)	28000
FUTA Tax Rate	<u>0.008</u>
1999 FUTA Expense	<u><u>224</u></u>

	<u>SUTA</u>
State Unemployment is taxed on the first \$8,000 of Wages per Employee.	
(8,000 x 4 employees)	32000
SUTA Tax Rate	<u>0.013</u>
	<u><u>416</u></u>

M) INTEREST EXPENSE

Interest Expense per 1998 Annual Report

0

Adjustments:

Increase due to 1999 Payments (See Amortization Schedule Attached)

29260

Expected 1999 Interest Expense

29260

LOAN AMORTIZATION TABLE

What is the Loan Amortization Table Sheet?

Date		Lender Name						
3/23/99		KENTUCKY MUNICIPAL GAS UTILITY TRUST						
Pmnt #	Start of Period	Annual Interest Rate	Scheduled Balance	Actual Balance	Scheduled Payment	Interest Portion	Principal Portion	Additional Principal
1	01/99	4.00%	733,000.00	733,000.00	(2,712.80)	(2,443.33)	(269.47)	
2	02/99	4.00%	731,943.88	732,730.53	(2,712.80)	(2,442.44)	(270.36)	
3	03/99	4.00%	730,884.24	732,460.17	(2,712.80)	(2,441.53)	(271.27)	
4	04/99	4.00%	729,821.06	732,188.90	(2,712.80)	(2,440.63)	(272.17)	
5	05/99	4.00%	728,754.35	731,916.73	(2,712.80)	(2,439.72)	(273.08)	
6	06/99	4.00%	727,684.07	731,643.65	(2,712.80)	(2,438.81)	(273.99)	
7	07/99	4.00%	726,610.23	731,369.67	(2,712.80)	(2,437.90)	(274.90)	
8	08/99	4.00%	725,532.81	731,094.77	(2,712.80)	(2,436.98)	(275.82)	
9	09/99	4.00%	724,451.80	730,818.95	(2,712.80)	(2,436.06)	(276.74)	
10	10/99	4.00%	723,367.19	730,542.21	(2,712.80)	(2,435.14)	(277.66)	
11	11/99	4.00%	722,278.96	730,264.55	(2,712.80)	(2,434.22)	(278.58)	
12	12/99	4.00%	721,187.10	729,985.97	(2,712.80)	(2,433.29)	(279.51)	
13	01/00	4.00%	720,091.60	729,706.45	(2,712.80)	(2,432.35)	(280.45)	
14	02/00	4.00%	718,992.45	729,426.01	(2,712.80)	(2,431.42)	(281.38)	
15	03/00	4.00%	717,889.64	729,144.63	(2,712.80)	(2,430.48)	(282.32)	
16	04/00	4.00%	716,783.15	728,862.31	(2,712.80)	(2,429.54)	(283.26)	
17	05/00	4.00%	715,672.98	728,579.05	(2,712.80)	(2,428.60)	(284.20)	
18	06/00	4.00%	714,559.10	728,294.85	(2,712.80)	(2,427.65)	(285.15)	
19	07/00	4.00%	713,441.51	728,009.70	(2,712.80)	(2,426.70)	(286.10)	
20	08/00	4.00%	712,320.19	727,723.60	(2,712.80)	(2,425.75)	(287.05)	
21	09/00	4.00%	711,195.14	727,436.54	(2,712.80)	(2,424.79)	(288.01)	
22	10/00	4.00%	710,066.34	727,148.53	(2,712.80)	(2,423.83)	(288.97)	
23	11/00	4.00%	708,933.77	726,859.56	(2,712.80)	(2,422.87)	(289.93)	
24	12/00	4.00%	707,797.43	726,569.62	(2,712.80)	(2,421.90)	(290.90)	
25	01/01	4.00%	706,657.30	726,278.72	(2,712.80)	(2,420.93)	(291.87)	
26	02/01	4.00%	705,513.37	725,986.85	(2,712.80)	(2,419.96)	(292.84)	
27	03/01	4.00%	704,365.63	725,694.01	(2,712.80)	(2,418.98)	(293.82)	
28	04/01	4.00%	703,214.06	725,400.19	(2,712.80)	(2,418.00)	(294.80)	
29	05/01	4.00%	702,058.65	725,105.39	(2,712.80)	(2,417.02)	(295.78)	
30	06/01	4.00%	700,899.39	724,809.61	(2,712.80)	(2,416.03)	(296.77)	
31	07/01	4.00%	699,736.27	724,512.84	(2,712.80)	(2,415.04)	(297.76)	
32	08/01	4.00%	698,569.27	724,215.08	(2,712.80)	(2,414.05)	(298.75)	
33	09/01	4.00%	697,398.38	723,916.33	(2,712.80)	(2,413.05)	(299.75)	
34	10/01	4.00%	696,223.58	723,616.59	(2,712.80)	(2,412.06)	(300.74)	
35	11/01	4.00%	695,044.88	723,315.84	(2,712.80)	(2,411.05)	(301.75)	
36	12/01	4.00%	693,862.24	723,014.09	(2,712.80)	(2,410.05)	(302.75)	
37	01/02	4.00%	692,675.66	722,711.34	(2,712.80)	(2,409.04)	(303.76)	
38	02/02	4.00%	691,485.12	722,407.58	(2,712.80)	(2,408.03)	(304.77)	
39	03/02	4.00%	690,290.62	722,102.80	(2,712.80)	(2,407.01)	(305.79)	
40	04/02	4.00%	689,092.13	721,797.01	(2,712.80)	(2,405.99)	(306.81)	
41	05/02	4.00%	687,889.65	721,490.20	(2,712.80)	(2,404.97)	(307.83)	
42	06/02	4.00%	686,683.16	721,182.37	(2,712.80)	(2,403.94)	(308.86)	
43	07/02	4.00%	685,472.65	720,873.51	(2,712.80)	(2,402.91)	(309.89)	
44	08/02	4.00%	684,258.11	720,563.62	(2,712.80)	(2,401.88)	(310.92)	
45	09/02	4.00%	683,039.52	720,252.70	(2,712.80)	(2,400.84)	(311.96)	
46	10/02	4.00%	681,816.86	719,940.75	(2,712.80)	(2,399.80)	(313.00)	
47	11/02	4.00%	680,590.13	719,627.75	(2,712.80)	(2,398.76)	(314.04)	
48	12/02	4.00%	679,359.31	719,313.71	(2,712.80)	(2,397.71)	(315.09)	

Insert Fine Print Here

N)	JOHNSON COUNTY GAS CO., INC.		
	NET INVESTMENT RATE BASE:		
	UTILITY PLANT	1352821	
	ADD: WORKING CAPITAL(SEE BELOW)	16450	
	SUBTOTAL	1369271	
	LESS: ACCUMULATED DEPRECIATION	-673752	
	NET INVESTMENT BASE	695519	
	WORKING CAPITAL CALCULATION:		
	O & M EXPENSES	259163	
	LESS: GAS PURCHASES	-127566	
	SUBTOTAL	131597	
	CASH WORKING CAPITAL ALLOWANCE	x 1/8	
	WORKING CAPITAL	16450	
	REVENUE REQUIREMENT CALCULATION:		
	TOTAL OPERATING EXPENSES	314325	
	LESS: PURCHASED GAS	-127566	
	SUBTOTAL	186759	
	OPERATING RATIO	0.88	
	SUBTOTAL	212226	
	ADD: PURCHASED GAS	127566	
	REVENUE REQUIREMENT	339792	
	PSC ASSESSMENT	1880	
		341672	
	NORMALIZED REVENUES	224144	
	INCREASE REQUIRED	117528	
	Shareholders of Johnson County Gas Company, Inc. have decided to ask for a reduced amount than is needed to satisfy the Revenue Requirement Calculation. The reasoning is the possible, and no doubt probable loss of customers if the entire amount is satisfied.		

IV.	Billing Analysis	Customer	MCF	
		Charge	Calculation	
	REVENUE FROM PRESENT RATES:			
	Customer Charge	3.00		
	Times # of Customers	485		
		1455		
	Times # of Months	12		
		17460.00		
	1998 MCF Sales		26912	
	Times Present Rate		7.68	
			206684.16	
	Plus Customer Charge		17460.00	
	1998 SALES TOTAL		224144.16	
	REVENUE FROM PROPOSED RATES:			
		Residential	Commercial	
	Minimum Bill (First 2 MCF)	17.50		
	Times # Zero Usage	1386		
	Total Minimum Charge	24255.00		
	Minimum Bill (First 2 MCF)	17.50		
	Times # One MCF Usage	849		
	Total Minimum Charge	14858		
	Minimum Bill (First 2 MCF)	17.50		
	Times # Two MCF Usage	490		
	Total Minimum Charge	8575		
	Total Usage (MCF)	25869	1043	
	Less - One MCF Usage	-849		
	Less - Two MCF Usage (490 x 2)	-980		
	Less - Free Gas	-966		
	MCF's Sold	23074	1043	
	Times Proposed Rates	8.85	9.85	
		204205	10274	
	Total Gas Sales	251892	10274	
	Other Revenue:			
	Penalties per 1998 Annual Report	4764		
	Surcharge per 1998 Annual Report	11132		
	Nonrecurring charges (Reconnect Fees) 1998	350		
		268138	10274	278412

GAS PURCHASE AGREEMENT

orig
SCH. A 2)

This AGREEMENT ("Agreement") made and entered into this the ____ day of _____, 1997, by and between INTERSTATE NATURAL GAS COMPANY, a Kentucky general partnership, whose address is 276 Thompson Road, P.O. Box 3385, Pikeville, Kentucky 41502 (hereinafter referred to as "Interstate" or "Seller"), and JOHNSON COUNTY GAS COMPANY, INC., a Kentucky corporation, whose address is P.O. Box 339, Harold, Kentucky 41635 (hereinafter referred to as "Johnson County Gas" or "Buyer").

WHEREAS, Interstate Natural Gas Company has several wells on the Columbia Gas Transmission Transportation System under Contract number 54965.

Buyer agrees to buy all gas so delivered through said existing metering point, currently 804310-1-01, and pay Seller monthly, the rate of \$3.65/MCF for the term of this Agreement, inclusive of transportation-related charges to Johnson County Gas or other entity hereafter created by Johnson County Gas for the purchase of its natural gas supply. Buyer's obligation to purchase gas from Seller shall not exceed Buyer's total natural gas requirements (Buyer's Load) in any day, month, or year.

That the delivery of gas to Buyer shall be measured by Columbia Gas Transmission and billed to Buyer by Seller monthly within 10 days. That all payments for delivery of gas shall be made within 10 days of billing to Buyer at 276 Thompson Road, P.O. Box 3385, Pikeville, Kentucky 41502. That upon such payment to Seller, Buyer is released from any and all liability in distribution of said payments and any correspondence or notice shall also be made to said Seller. Buyer shall be responsible for any production-related tax attributable to gas sold pursuant to the Agreement. Seller herein warrants to Buyer good and lawful title to all gas sold and delivered pursuant to this Agreement.

This Agreement shall be for a period of one year and as long thereafter as marketable natural gas is delivered to buyer. This agreement shall be automatically renewed for each additional one year period unless a 30 day advance written notice is given by either party. The effective date of this Agreement shall be March 1, 1997.

This Agreement shall be binding upon Seller, its successors and assigns and upon Buyer, and its successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and

year first hereinafter written.

SELLER:

BUYER:

Interstate Natural Gas Company
a Kentucky general partnership

Johnson County Gas Company, Inc.
a Kentucky corporation

By: _____

By: _____

Jerome A. Kanney

Bud Rife

Its: General Partner

Its: Manager/President

STATE OF KENTUCKY

COUNTY OF PIKE

I, _____, a Notary Public in and of said County and State, do hereby certify that the foregoing Gas Purchase Agreement was this day produced to me in said County and State aforesaid and duly acknowledged before me by Jerome A. Kanney, known to me to be the General Partner of INTERSTATE NATURAL GAS COMPANY, to be the free act and deed of himself as General Partner thereof.

Given under my hand this ____ day of _____, 1997.

My commission expires: _____.

Notary Public

STATE OF KENTUCKY

COUNTY OF PIKE

I, _____, a Notary Public in and of said County and State, do hereby certify that the foregoing Gas Purchase Agreement was this day produced to me in said County and State aforesaid and duly acknowledged before me by Bud Rife, known to me to be the Manager/President of JOHNSON COUNTY GAS COMPANY, INC., to be the free act and deed of himself as Manager/President thereof.

Given under my hand this ____ day of _____, 1997.

My commission expires: _____.

Notary Public

This instrument prepared by:

Jerome A. Kanney
General Partner
Interstate Natural Gas Company
276 Thompson Road
P.O. Box 3385
Pikeville, KY 41502
(606) 437-6147

GAS PURCHASE AGREEMENT

EXHIBIT B

This AGREEMENT ("Agreement") made and entered into this the ____ day of _____, 1997, by and between INTERSTATE NATURAL GAS COMPANY, a Kentucky general partnership, whose address is 276 Thompson Road, P.O. Box 3385, Pikeville, Kentucky 41502 (hereinafter referred to as "Interstate" or "Seller"), and JOHNSON COUNTY GAS COMPANY, INC., a Kentucky corporation, whose address is P.O. Box 339, Harold, Kentucky 41635 (hereinafter referred to as "Johnson County Gas" or "Buyer").

WHEREAS, Interstate Natural Gas Company has several wells on the Kentucky West Virginia Gas Transportation System under Transportation Agreement number 102.0.

Buyer agrees to buy all gas so delivered through said existing metering point, currently number 58, and pay Seller monthly, the rate of \$3.65/MCF for the term of this Agreement, inclusive of transportation-related charges to Johnson County Gas or other entity hereafter created by Johnson County Gas for the purchase of its natural gas supply. Buyer's obligation to purchase gas from Seller shall not exceed Buyer's total natural gas requirements (Buyer's Load) in any day, month, or year.

That the delivery of gas to Buyer shall be measured by Kentucky West Virginia Gas Company and billed to Buyer by Seller monthly within 10 days. That all payments for delivery of gas shall be made within 10 days of billing to Buyer at 276 Thompson Road, P.O. Box 3385, Pikeville, Kentucky 41502. That upon such payment to Seller, Buyer is released from any and all liability in distribution of said payments and any correspondence or notice shall also be made to said Seller. Buyer shall be responsible for any production-related tax attributable to gas sold pursuant to the Agreement. Seller herein warrants to Buyer good and lawful title to all gas sold and delivered pursuant to this Agreement.

This Agreement shall be for a period of one year and as long thereafter as marketable natural gas is delivered to buyer. This agreement shall be automatically renewed for each additional one year period unless a 30 day advance written notice is given by either party. The effective date of this Agreement shall be March 1, 1997.

This Agreement shall be binding upon Seller, its successors and assigns and upon Buyer, and its successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and

year first hereinafter written.

SELLER:

Interstate Natural Gas Company
a Kentucky general partnership

By: _____

Jerome A. Kanney

Its: General Partner

BUYER:

Johnson County Gas Company, Inc.
a Kentucky corporation

By: _____

Bud Rife

Its: Manager/President

STATE OF KENTUCKY

COUNTY OF PIKE

I, _____, a Notary Public in and of said County and State, do hereby certify that the foregoing Gas Purchase Agreement was this day produced to me in said County and State aforesaid and duly acknowledged before me by Jerome A. Kanney, known to me to be the General Partner of **INTERSTATE NATURAL GAS COMPANY**, to be the free act and deed of himself as General Partner thereof.

Given under my hand this ____ day of _____, 1997.

My commission expires: _____.

Notary Public

STATE OF KENTUCKY

COUNTY OF PIKE

I, _____, a Notary Public in and of said County and State, do hereby certify that the foregoing Gas Purchase Agreement was this day produced to me in said County and State aforesaid and duly acknowledged before me by Bud Rife, known to me to be the Manager/President of **JOHNSON COUNTY GAS COMPANY, INC.**, to be the free act and deed of himself as Manager/President thereof.

Given under my hand this ____ day of _____, 1997.

My commission expires: _____.

Notary Public

This instrument prepared by:

Jerome A. Kanney
General Partner
Interstate Natural Gas Company
276 Thompson Road
P.O. Box 3385
Pikeville, KY 41502
(606) 437-6147

FEBS Inc., Groton, MA, 01471. To Order PHONE TOLL FREE 1-800-225-4380

Typewriter tab stops

Use with 772 DU-O-VUE® Envelope - saves addressing time

THE PAINTSVILLE HERALD

P.O. Box 1547
PAINTSVILLE, KY 41240

(606) 789-5315

Johnson County Gas Company
P.O. Box 339
Harold, KY 41635

STATEWIDE

DATE 4/13/99

NUMBER

99-155
RECEIVED
APR 14 1999
PUBLIC SERVICE
COMMISSION

TERMS:

PLEASE DETACH AND RETURN WITH YOUR REMITTANCE

\$ 192.60

DATE	CHARGES AND CREDITS	BALANCE
	BALANCE FORWARD	
4-14-99	Legal Display 3x4	64.20
4-21-99	Legal Display 3x4	64.20
4-28-99	Legal Display 3x4	64.20
		192.60

THE PAINTSVILLE HERALD

Thank You

PAY LAST AMOUNT
IN THIS COLUMN

RECEIVED
APR 14 1999
PUBLIC SERVICE
COMMISSION

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR YEAR ENDING DECEMBER 31, 1998

- 1. Amount of Principal Payment during calendar year \$ -0-
- 2. Is Principal current? (Yes) _____ (No) xx
- 3. Is Interest current? (Yes) _____ (No) xx

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are your financial statements examined by a Certified Public Accountant? YES _____ NO xx

If yes, which service is performed?

- Audit _____
- Compilation _____
- Review _____

Please enclose a copy of the accountant's report with annual report.

AUDIT OF THE ANNUAL REPORT
 CLASS C AND D GAS COMPANIES
 To Be Completed and Returned with Annual Report

PAGE NO.	LINE NO.	PAGE NO.	LINE NO.	YES	NO	IF NO, EXPLAIN WHY
2	4	4	12	X		
2	6	4	15	X		
2	7	4	16	X		
4	15	4	33	X		
4	1	5	42	X		
4	15	6	25	X		
3	4 & 5	6	Capital Stock	X		
3	20	7	Long-Term Debt Total (d)	X		
3	24 + 26	7	Notes Payable Total (e)	X		
3	30	7	Int. Accrued Total (e)	X		
3	31	8	-	X		
3	10	8	Acct. 216 Bal. End of Yr.(b)	X		

PAGE NO.	LINE NO.	PAGE NO.	LINE NO.	YES	NO	IF NO, EXPLAIN WHY
9	22	11	31	X		
9	50	8	Bal. Trans. From Income (433)	X		
9	25	12	Acct. 408.1	X		
9	48	12	Acct. 408.2	X		
9	40	7	Interest Accrued LTD (c)	X		
9	43	7	Interest Accrued Other	X		
9	26	12	Total Income Taxes Utility Operating Income	X		
9	44	12	Total Income Taxes Nonutility Operating Income	X		
9	24	12	Total Amortizat. Expense	X		
9	7	13	(f)	X		
10	15	14	(j)	X		
10	16	14	-	X		
14	-	15	6 & 7	X		

PAGE NO.	LINE NO.	PAGE NO.	LINE NO.	YES	NO	IF NO, EXPLAIN WHY
15	16	9	9	X		
15	12(b)	15	25(b)	X		
Oath Page has been completed.						

Additional Information Required by Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments.

Case #	Date of Order	Item/Explanation

Attach additional sheets if more room is needed

GENERAL INFORMATION

1. Give the location, including street & number and telephone number & area code of the principal office in Kentucky.
Box 339, Harold, KY 41635 (606) 478-5481

2. Name, title, address and telephone number with area code of the person to be contacted concerning this report.
Box 339, Harold, KY 41635 (606) 478-5481

3. Name and title of officer having custody of the books of account, address of office and telephone number with area code where the books of account are kept.
Bud Rife, Manager
Box 339, Harold, KY 41635 (606) 478-5481

4. Name of State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law.
Kentucky 3/12/68

5. If the respondent controls or is controlled by any other corporation, business trust, or similar organization, give a concise explanation of the manner and extent of control.
Corporation is owned by KY Municipal Gas Utility Trust which was formed by Columbia Gas of KY and KY Dept of Local Govt for the purpose of operating JCGC

6. Give the names and addresses of the ten major stockholders of the respondent and the voting powers of each at the end of the year.
Columbia Gas of KY, Inc.
Commonwealth of KY - Dept of Local Govt

7. Give the number of full-time and part-time employees;
NONE

8. Name of City, Town, Community and County in which you furnish gas service and the number of customers in each.
Hager Hill, East Point, Van Lear & Meally

PRINCIPAL OFFICERS

Line No.	Title	Name of Officer or Director	Principal Business Address	Annual Salary and/or Fee
1	Manager	Bud Rife	Box 339, Harold, KY 41635	60,000
2				
3				
4				
5				
6				
7				
8				
9				
10				

BALANCE SHEET

Line No.	ASSETS AND OTHER DEBITS	Balance First Of Year	Balance Last Of Year
1			
2	UTILITY PLANT		
3			
4	Utility Plant (101-107, 114, 116)	1,351,904	1,352,821
5	Less: Accum. Prov. for Depr., Depletion and		
6	Amortization (110)	634,961	673,752
7	Net Utility Plant	716,943	679,069
8			
9	OTHER PROPERTY AND INVESTMENTS		
10			
11	Non-Utility Property-Net (121-122)	10,632	10,632
12	Other Investments (124)		
13	Special Funds (125)		
14			
15			
16			
17	Total Other Property and Investments	10,632	10,632
18			
19	CURRENT AND ACCRUED ASSETS		
20			
21	Cash and Working Funds (131)	1,483	3,800
22	Temporary Cash Investments (132)		
23	Notes Receivable (141)		
24	Customer Accounts Receivable (142)	41,735	45,706
25	Other Accounts Receivable (143)		
26	Accum. Prov. for Uncollectible Accts-Cr. (144)		
27	Materials and Supplies (150)		
28	Gas Stored Underground (164)		
29	Prepayments (165)		
30	Other Current and Accrued Assets (170)	1,100	1,100
31			
32			
33			
34	Total Current and Accrued Assets	44,318	50,606
35			
36	DEFERRED DEBITS		
37			
38	Unamortized Debt Expense (181)		
39	Extraordinary Property Losses (182)		
40	Other Deferred Debits (183)		
41	Def. Losses From Disposition of Util. Plt. (187)		
42	Unamort. Loss on Reacquired Debt (189)		
43	Accum. Deferred Income Taxes (190)		
44	Unrecovered Purchased Gas Costs (191)		
45			
46			
47	Total Deferred Debits	-0-	-0-
48			
49			
50	TOTAL ASSETS AND OTHER DEBITS	771,893	740,307

BALANCE SHEET

Line No.	LIABILITIES AND OTHER CREDITS	Balance First Of Year	Balance Last Of Year
1			
2	PROPRIETARY CAPITAL		
3			
4	Common Capital Stock(201)	80,000	80,000
5	Preferred Capital Stock(204)		
6	Other Paid-In Capital(207)		
7	Discount on Capital Stock(213)		
8	Capital Stock Expense(214)		
9	Appropriated Retained Earnings(215)		
10	Unappropriated Retained Earnings(216)	(609,702)	(676,523)
11	Reacquired Capital Stock(217)	(164,702)	(164,702)
12	Noncorporate Proprietorship(218)		
13	Total Proprietary Capital	(694,404)	(761,225)
14			
15	LONG-TERM DEBT		
16			
17	Bonds(221)		
18	Advances From Associated Companies(223)		
19	Other Long-Term Debt(224)	1,399,798	1,399,798
20	Total Long-Term Debt	1,399,798	1,399,798
21			
22	CURRENT AND ACCRUED LIABILITIES		
23			
24	Notes Payable(231)		
25	Accounts Payable(232)	25,777	29,606
26	Notes Payable to Associated Companies(233)		
27	Accounts Payable to Associated Companies(234)	700	15,200
28	Customer Deposits(235)	32,712	34,665
29	Taxes Accrued(236)	6,351	21,304
30	Interest Accrued(237)	959	959
31	Other Current and Accrued Liabilities(238)		
32	Total Current and Accrued Liabilities	66,499	101,734
33			
34	DEFERRED CREDITS		
35			
36	Customer Advances for Construction(252)		
37	Other Deferred Credits(253)		
38	Accum. Deferred Investment Tax Credits(255)		
39	Accum. Deferred Income Taxes(281-283)		
40	Total Deferred Credits	-0-	-0-
41			
42	OPERATING RESERVES		
43			
44	Property Insurance Reserve(261)		
45	Injuries and Damages Reserve(262)		
46	Pensions and Benefits Reserve(263)		
47	Miscellaneous Operating Reserves(265)		
48	Total Operating Reserves	-0-	-0-
49			
50	TOTAL LIABILITIES AND OTHER CREDITS	771,893	740,307

ANALYSIS OF GAS UTILITY PLANT AND ACCUMULATED
PROVISIONS FOR DEPRECIATION, DEPLETION AND AMORTIZATION

Line No.	Acct. No.	Item	Amount
GAS UTILITY PLANT			
1	101	Gas Plant In Service-Classified(from Pg. 5, line 42)	1,310,148
2	102	Gas Plant Purchased or Sold	
3	103	Gas Plant in Process of Reclassification	
4	106	Completed Construction Not Classified	
5		Total	1,310,148
6	104	Gas Plant Leased to Others	
7	105	Gas Plant Held for Future Use	
8	107	Construction Work in Progress-Gas	
9	114	Gas Plant Acquisition Adjustments	
10	116	Other Gas Plant Adjustments	42,673
11			
12		Total Utility Plant(fwd. to Pg. 2, line 4)	1,352,821
13		Less:	
14	110	Accum. Prov. for Depreciation, Depletion and	
15		Amort. of Gas Utility Plant(fwd. to pg. 2, line 6)	673,752
16		Net Utility Plant(fwd. to pg. 2, line 7)	679,069
17			

DETAIL OF ACCUMULATED PROVISION
FOR DEPRECIATION, DEPLETION AND
AMORTIZATION OF GAS UTILITY PLANT

18		In Service:	
19		Depreciation	673,752
20		Depletion	
21		Amortization	
22		Total-In Service	673,752
23		Leased to Others:	
24		Depreciation	
25		Depletion	
26		Amortization	
27		Total-Leased to Others	
28		Held for Future Use:	
29		Depreciation	
30		Amortization	
31		Total-Held for Future Use	
32		Amortization of Gas Plant Acquisition Adjustments	
33		TOTAL ACCUMULATED PROVISIONS(Same as line no. 15 above)	673,752

NOTES TO BALANCE SHEET

This space is provided for important notes regarding the balance sheet

GAS UTILITY PLANT IN SERVICE

Report in col. (c) entries reclass. property from one acct. to another. Corrections of entries of the preceding yr. should be recorded in col. (c) or col. (d), as they are corrections of additions or ret.

Line No.	Account (a)	Balance First of Yr. (b)	Additions (c)	Retirements (d)	Adj.-Inc. or Dec. (e)	Balance End of Year (f)
1	Intangible Plt.-Acct. 301-303(Attach Sch.)					
2	Gas Prod. Plt.- Acct. 304-363(Attach Sch.)					
3	TRANSMISSION PLANT					
4	Land and Land Rights(365.1)					
5	Rights-of-Way(365.2)					
6	Structures and Improvements(366)					
7	Mains(367)					
8	Compressor Station Equipment(368)					
9	Meas. & Regulating Station Equip.(369)					
10	Communication Equipment(370)					
11	Other Equipment(371)					
12	Total Transmission Plant					
13	DISTRIBUTION PLANT					
14	Land and Land Rights(374)					
15	Structures and Improvements(375)					
16	Mains(376)	1,290,931				1,290,931
17	Compressor Station Equipment(377)					
18	Meas. & Reg. Station Equip.-Gen'l.(378)					
19	Meas. & Reg. Stat. Equip-City Gate(379)					
20	Services(380)					
21	Meters(381)	1,386				1,386
22	Meter Installations(382)					
23	House Regulators(383)	3,256				3,256
24	House Regulator Installations(384)					
25	Ind. Meas. & Reg. Station Equip.(385)					
26	Other Prop. on Customers Premises(386)					
27	Other Equipment(387)					
28	Total Distribution Plant	1,295,573				1,295,573
29	GENERAL PLANT					
30	Land and Land Rights(389)					
31	Structures and Improvements(390)					
32	Office Furniture and Equipment(391)	13,658	917		917	14,575
33	Transportation Equipment(392)					
34	Stores Equipment(393)					
35	Tools, Shop & Garage Equipment(394)					
36	Laboratory Equipment(395)					
37	Power Operated Equipment(396)					
38	Communication Equipment(397)					
39	Miscellaneous Equipment(398)					
40	Other Tangible Plant(399)					
41	Total General Plant	13,658	917		917	14,575
42	TOTAL GAS PLANT IN SERVICE	1,309,231	917		917	1,310,148

LONG-TERM DEBT

List Each Original Issue Amt, Class & Series of Obligation (a)	Date Of Issue (b)	Date Of Maturity (c)	Outstanding Per Balance Sheet (d)	Interest For The Year	
				Rate (e)	Amount (f)
Ky Dept of Local Govt	1981	not detr	1,259,840	5.125%	
Columbia Gas of KY Class 4	1987	1988	139,958	8%	
Total					

NOTES PAYABLE

Name of Payee (a)	Date Of Note (b)	Date Of Maturity (c)	Interest Rate (d)	Balance End Of Year (e)
Total				

INTEREST ACCRUED

Description Of Obligation (a)	Int. Accr. Balance First Of Yr (b)	Int. Accr. During Year (c)	Int. Paid During Year (d)	Int. Accr. Balance End Of Yr. (e)
Accrued Interest-Cust deposits				959
Total				

STATEMENT OF INCOME FOR THE YEAR

Line No.	Account (a)	Average No. Customers (b)	MCF Of Nat. Gas Sold (c)	Amount (d)
1				
2	OPERATING REVENUES			
3	Residential Sales(480)	470	25,635	206,217
4	Commercial and Industrial Sales(481)	16	1,277	8,017
5	Interdepartmental Sales(484)			
6	Total Sales to Ultimate Consumers	486	26,912	214,234
7	Sales for Resale(483)			
8				
9	Total Gas Service Revenues	486	26,912	214,234
10				
11	OTHER OPERATING REVENUES			
12	Forfeited Discounts(487)			4,764
13	Miscellaneous Service Revenues(488)			
14	Revenues From Transportation of Gas of Others(489)			
15	Revenues From Natural Gas Processed by Others(491)			
16	Rent From Gas Property(493)			
17	Other Gas Revenues(495)			28,506
18	Total Other Operating Revenues			33,270
19	Total Gas Operating Revenues			247,504
20				
21	OPERATING EXPENSES			
22	Total Gas Operation & Maint. Expenses(from pg. 11. line 31)			259,163
23	Depreciation and Depletion Expense(403)			38,791
24	Amortization Expense(404-407)(from pg. 12)			
25	Taxes Other Than Income Taxes(408.1)(from pg. 12)			16,371
26	Total Income Taxes-Utility Operations(from pg. 12)			
27	Total Gas Operating Expenses			314,325
28	Net Operating Income			(66,821)
29				
30	OTHER INCOME			
31	Nonutility Income(415-418)			
32	Interest and Dividend Income(419)			
33	Miscellaneous Nonoperating Income(421)			
34	Other Accounts(Specify Acct. No. & Title):			
35				
36				
37	Total Other Income			-0-
38				
39	OTHER DEDUCTIONS			
40	Interest on Long-Term Debt(427)			
41	Amort. of Debt Discount and Expense(428)			
42	Nonutility Deductions(426.1 - 426.5)			
43	Other Interest Expense(431)			
44	Total Income Taxes-Nonutility Operations(From Pg. 12)			
45	Other Accounts(Specify Acct. No. & Title):			
46				
47				
48	Taxes Other Than Income Taxes(408.2)(from pg. 12)			
49	Total Other Deductions			-0-
50	NET INCOME			(66,821)

GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount (b)
1		
2	MANUFACTURED GAS PRODUCTION	
3	Total-Acct. No. 700-706(Attach Schedule by Accounts)	
4		
5	NATURAL GAS PRODUCTION AND GATHERING	
6	Total-Acct. No. 710-719(Attach Schedule by Accounts)	
7		
8	EXPLORATION AND DEVELOPMENT EXPENSES	
9	Total-Acct. No. 720-723(Attach Schedule by Accounts)	
10		
11	STORAGE EXPENSES	
12	Total-Acct. No. 740-747(Attach Schedule by Accounts)	
13		
14	OTHER GAS SUPPLY EXPENSES	
15	Natural Gas Purchases(730)	127,566
16	Other Gas Purchases(731)	
17	Purchased Gas Cost Adjustments(731.1)	
18	Purchased Gas Expenses(732)	
19	Gas Withdrawn From Storage-Debit(733)	
20	Gas Delivered to Storage-Credit(734)	
21	Gas Used in Utility Operations-Credit(735)	
22	Other Gas Supply Expenses(736)	
23	Total Other Gas Supply Expenses	127,566
24		
25	TRANSMISSION EXPENSES	
26	Operation Supervision and Labor(750)	9,269
27	Compressor Station Fuel and Power(751)	
28	Operation Supplies and Expenses(752)	
29	Transmission and Compression of Gas by Others(753)	
30	Rents(754)	
31	Maintenance of Mains(755)	
32	Maintenance of Compressor Station Equipment(756)	
33	Maintenance of Other Plant(757)	
34	Total Transmission Expenses	9,269
35		
36	DISTRIBUTION EXPENSES	
37	Supervision(760)	
38	Mains and Services Labor(761)	20,731
39	Mains and Services Supplies and Expenses(762)	9,552
40	Meter and House Regulator Expenses(763)	
41	Customer Installation Expenses(764)	
42	Miscellaneous Distribution Expenses(765)	
43	Rents(766)	1,916
44	Maintenance of Lines(767)	
45	Maintenance of Meters and House Regulators(768)	
46	Maintenance of Other Plant(769)	
47	Total Distribution Expenses	32,199
48		
49		

GAS OPERATION AND MAINTENANCE EXPENSES(Con't.)

Line No.	Account (a)	Amount (b)
1		
2	CUSTOMER ACCOUNTS EXPENSE	
3	Meter Reading Labor(901)	4,575
4	Accounting and Collecting Labor(902)	
5	Supplies and Expenses(903)	3,000
6	Uncollectible Accounts(904)	
7	Total Customer Accounts Expense	7,575
8		
9	CUSTOMER SERVICE AND INFORMATIONAL EXPENSES	
10	Customer Service and Informational Expenses(907)	
11		
12	ADMINISTRATIVE AND GENERAL EXPENSES	
13	Administrative and General Salaries(920)	
14	Office Supplies and Expenses(921)	3,259
15	Administrative Expenses Transferred-Credit(922)	
16	Outside Services Employed(923)	64,361
17	Property Insurance(924)	5,669
18	Injuries and Damages(925)	
19	Employee Pensions and Benefits(926)	
20	Franchise Requirements(927)	
21	Regulatory Commission Expenses(928)	
22	Duplicate Charges-Credit(929)	
23	General Advertising Expenses(930.1)	
24	Miscellaneous General Expenses(930.2)	3,237
25	Rents(931)	700
26	Transportation Expenses(933)	5,328
27	Maintenance of General Plant(935)	
28	Total Administrative and General Expenses	82,554
29		
30		
31	TOTAL GAS OPERATION & MAINT. EXPENSES(to pg. 9, line 22)	259,163
NUMBER OF CUSTOMERS		
END OF YEAR		
	Residential(480)	462
	Commercial and Industrial(481)	16
	Interdepartmental Sales(484)	
	Total-Ultimate Consumer	478
	Sales for Resale(483)	
	Total Gas Service Customers	478

TAXES OTHER THAN INCOME TAXES(408)

Show hereunder the various tax items which make up the amounts listed under Account Numbers 408.1 and 408.2 on page 9, lines 25 and 48

Line No.	Item (a)	Amount (b)
1	Payroll Taxes	
2	Public Service Commission Assessment	1,880
3	Other(Specify):	
4	Property Tax	14,009
5	Other Taxes & Licenses	482
6		
7		
8		
9		
10		
11	TOTAL (Same as pg. 9, lines 25 & 48)	16,371

OPERATING AND NON-OPERATING INCOME TAXES

Acct. No. (a)	Account (b)	Amount (c)
409.1	Income Taxes-Federal	
409.1	Income Taxes-State	
409.1	Income Taxes-Other	
410.1	Provision For Deferred Income Taxes	
411.1	Provision For Deferred Income Taxes-Credit	
411.4	Investment Tax Credit Adjustment-Net	
	Total Income Taxes-Utility Operat. Income(to pg9, line26)	-0-
409.2	Income Taxes-Federal	
409.2	Income Taxes-State	
409.2	Income Taxes-Other	
410.2	Provision For Deferred Income Taxes	
411.2	Provision For Deferred Income Taxes-Credit	
411.5	Investment Tax Credit Adjustment-Net	
	Total Income Taxes-Nonutility Op. Income(to pg 9, line44)	-0-

AMORTIZATION EXPENSE

Acct. No. (a)	Account (b)	Amount (c)
404	Amortization of Limited-Term Gas Plant	
405	Amortization of Other Gas Plant	
406	Amortization of Gas Plant Acquisition Adjustments	
407.1	Amortization of Property Losses	
407.2	Amortization of Conversion Expenses	
	Total Amortization Expense(Same as pg. 9, line 24)	-0-

SALES FOR RESALE-NATURAL GAS(Account #483)

1. Report particulars concerning sales of natural gas during the year to other gas utilities for re-sale. Sales to each customer should be identified in column (c) where applicable, by rate schedule designation contained in the company's tariff.
2. Natural gas for the purpose of this schedule means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. Point of delivery, column (b) should show name of city or town and state, and such other designation necessary to enable identification on maps of respondent's pipeline system.
4. Designate any sales which are other than firm sales, i.e., sales for storage, etc.
5. Where consolidated bills for more than one point of delivery are rendered under an FERC rate schedule, the several points of delivery shall be indicated in column (b) and the remainder of the information reported on a consolidated basis corresponding to the billing. Where, however, consolidated bills for more than one point of delivery are not rendered under an FERC rate schedule, the required information shall be furnished for each point of delivery.
6. Designate if BTU per cubic foot of gas is different for any delivery point from that shown in the heading of column (d)

Name of Other Gas Utility (Designate Associated Co) (a)	Point of Delivery (b)	FERC Tariff Rate Sch. Design. (c)	Approx. BTU Per Cu. Ft. (d)	MCF of Gas Sold (14.73 PSIA 60°F) (e)	Revenue For Year (see inst. #5) (f)	Average Revenue Per MCF (g)
Not Applicable						

GAS PURCHASES (Accounts 730, 731-Class C) (Account 730-Class D)

1. Report particulars of gas purchases during the year. 2. Natural gas for the purpose of classification herein is either natural gas unmixed, or any mixture of natural and manufactured gas. 3. Class C natural gas companies shall provide subheadings and totals for prescribed accounts 730-Natural Gas Purchases, and 731-Other Gas Purchases. 4. Where purchases are from unitized fields, or vendor is a partnership or joint interest arrangement, specify such fact in column (a) and give name of unit operator, principal partner, or largest owner of joint interest, as approp. 5. For well head and field line purchases indicate the gas field or production area, county and state. 6. Field purchases of less than \$25,000 per year from individual non-associated vendors may be grouped by fields or production areas. Show number of purchases so grouped. 7. Show in column (c) the Seller's FERC rate schedule designation and date of contract, including such designations for purchases from independent producers. Intrastate purchases for which there is no required filing of an FERC rate schedule shall be specified "intrastate", and dates of contracts shown. If for any purchases more than one rate schedule was in effect during the year, show the most recent rate schedule designation and in a footnote give superseded rate schedules and date of supersession, or a succinct explanation. The Operator's rate schedule designation is sufficient in cases where there are co-owners under the same purchase contract, but the entire volume of gas and amount, columns (h) and (i) must be shown for the purchase under the particular contract. Rate schedule designations are not required with respect to small purchases grouped as permitted by instruction 6.

Name of Vendor (Designate Assoc. Companies (a)	Point of Receipt (b)	Seller's FERC Rate Schedule Designation and Date of Contract (c)	Check Approp Class.				MCF of Gas 14.73 PISA 60 (i)	Approx. BTU Per Cu. Ft. (h)	Amount (j)	AVE. Amt. Per MCF (cents) (k)
			Production Purchases (d)	Other Purchases (e)	Gasoline Outlet (f)	Other (g)				
KYWV (FERC)								\$ 3,589		
KYWV								7,231		
Cenerprise								26,824		
ERI								10,860		
Interstate Natural Gas Co.								79,062		
								127,566	4.61	

GAS ACCOUNT - NATURAL GAS

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
2. Enter in column (b) the MCF as reported in schedules indicated for the respective items of receipts and deliveries.
3. If the respondent operates two or more systems which are not interconnected, separate schedules should be submitted. Insert pages should be used for this purpose.

Line No.	Item (a)	MCF (14.73 psia at 60°F) (b)
1		
2	GAS RECEIVED	
3		
4	Natural Gas Produced	
5	Purchases:	
6	Natural Gas Purchases(Acct. #730)	27,649
7	Other Gas Purchases(Acct. #731) *	
8	Other Receipts: (Specify)	
9		
10		
11		
12	Total Receipts	27,649
13		
14		
15	GAS DELIVERED	
16	Natural Gas Sales(same as pg. 9, col. c, line 9)	26,912
17	Other Deliveries: (Specify)	
18	Easement Expense	525
19		
20		
21	Total Deliveries	27,437
22		
23	Unaccounted for Gas	212
24	Natural Gas Used by Respondent	
25	Total Deliveries and Unaccounted For	27,649

*This type of gas purchase represents manufactured gas, refinery gas or any gas other than natural gas.

PERTINENT NOTES TO THE EXHIBITS AND SUPPORTING
SCHEDULES CONTAINED IN THIS ANNUAL REPORT FORM

REPORT OF GROSS OPERATING REVENUES DERIVED FROM INTRA-KENTUCKY
BUSINESS FOR THE YEAR ENDING DECEMBER 31, 19 98

Johnson County Gas Company, Inc., Box 339, Harold, KY 41635
(Utility Reporting) (Address)

(DO NOT INCLUDE TAXES COLLECTED)

- (1) Gross Revenues of Electric Utility.....\$ _____
 - (2) Gross Revenues of Gas Utility.....\$ 247,504
 - (3) Gross Revenues of Radio-Telephone Utility.....\$ _____
 - (4) Gross Revenues of Cellular Telephone Utility...\$ _____
 - (5) Gross Revenues of Telephone Utility.....\$ _____
 - (6) Gross Revenues of Water Utility.....\$ _____
 - (7) Gross Revenues of Sewer Utility.....\$ _____
 - (8) Other Operating Revenues.....\$ _____
- *** TOTAL GROSS REVENUES.....\$ 247,504

State of...Kentucky.....) O A T H
County of...Floyd.....) ss.

Bud Rife being duly sworn, states that he/she
(Officer)
is Manager of the Johnson County Gas Company, Inc.
(Official Title) (Utility Reporting)

that the above report of gross revenues is in exact accordance with
the books of accounts of:

Johnson County Gas Company, Inc., and that such books
(Utility Reporting)
accurately show the gross revenues of:

Johnson County gas Company, Inc., derived from Intra-Kentucky
(Utility Reporting)

business for the year ending December 31, 19 98

(Officer) Manager
(Title)

This the _____ day of _____, 19 _____

(Notary Public) (County)

My Commission expires _____

**NOTE: ANY DIFFERENCE BETWEEN THE AMOUNT OF THE GROSS REVENUES SHOWN
IN THE ANNUAL REPORT AND THE AMOUNT APPEARING ON THIS STATEMENT
MUST BE RECONCILED ON THE REVERSE SIDE OF THIS REPORT**

Commonwealth of Kentucky
REVENUE CABINET

For Year Ending December 31, 1998

Department of Property Valuation
Division of State Valuation
Frankfort, KY 40620

*This return must be filed with the
Department of Property Valuation
between January 1 and April 30.*

► *Print or Type Your Answers*

► *See Instructions*

1999 GU 5560
JOHNSON COUNTY GAS COMPANY INC
ATTN: BUD RIFE
BOX 339
HAROLD KY 41635

		LEAVE BLANK	
		GNC Number	
		Postmark Date	
		Log In Date	
		Entry Person	
		Preaudit	
b. Central Office SAME		Telephone No.: ()	
		Fax No.: ()	
		Telephone No.: ()	
		Fax No.: ()	

3. Refer All Correspondence to	For agents, etc., a current power of attorney must be on file with the Kentucky Revenue Cabinet.	
	Name and Title: Bud Rife, Manager	Telephone No.: (606) 478-5851
	Address: Box 339, Harold, KY 41635	Fax No.: (606) 478-5266

4. Type of Public Service Company Purchase, Distribution & Sales of Natural Gas at Retail	5. Type of Ownership <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Individual <input type="checkbox"/> S Corporation <input type="checkbox"/> Other:
--	--

6. Organization	Year: 1968 State: KY	7. Year Kentucky Operations Commenced	1968
-----------------	-------------------------	---------------------------------------	------

8. Federal ID Number	61-0672413	9. Amount of Federal Income Tax	-0-
State Income Tax Number	011692	Amount of State Income Tax	-0-

10. Is your company affiliated with any other companies? (Parent/Subs) Yes No
If yes, submit organizational chart and informational reports. (KRS 136.130 and 136.140)

11. Has an independent authority or agency valued your property? Yes No
If yes, submit a copy of the appraisal report. (KRS 136.130 and 136.140)

12. Has the company or a fraction thereof sold, been purchased or merged within the last year? Yes No
If yes, submit an information report concerning the sale/purchase/merger. (KRS 136.130 and 136.140)

13. Are you required to file a federal regulatory report? Yes No
If yes, submit a copy of the regulatory report(s). (KRS 136.130 and 136.140)

Type of Company	Property Tax Return and Schedule Required	Other Reports Required
Passenger & Cargo Airlines	61A200 & Schedules G, H, I, J, K, K2, L2, N, P1-P4, S	All companies are required to submit a complete copy of their Public Service Commission Annual Report. (KRS 136.130 and 136.140) Also, a copy of stockholder's annual report, parent company's annual report and organization's financial statements are required and other reports requested on page 1. (KRS 136.130 and 136.140)
Bargelines	61A200 & Schedules G, H, J, K, K2, L, N, P1-P4	
Cable Television Companies	61A200 & Schedules G, H, I, J, K, K2, L, N, P5-P7, T	
Electric Utilities	61A200 & Schedules G, H, I, J, K, K2, L, N, P1-P4, R	
Landfill Companies	61A200 & Schedules G, H, J, K, N, P1-P4, Q, R	
Railroad Companies	61A200 & Schedules G, H, I, J, K, K2, L, M, N, O, P1-P4, R	
Sewer & Water Companies	61A200 & Schedules G, H, I, J, K, N, P1-P4, R	
Gas Utilities & Transmissions	61A200 & Schedules G, H, I, J, K, K2, L, N, P1-P4, R	
Oil Transmission Companies	61A200 & Schedules G, H, I, J, K, K2, L, N, P1-P4, R	
RECC & RTCC	61A200 & Schedules G, H, I, J, K, K2, L, N, P1-P4, R	
Ferry & Toll Bridges	61A200 & Schedules G, H, I, J, K, K2, L, N, P1-P4	
Telecommunication Companies	61A200 & Schedules G, H, I, J, K, K2, L, N, P1-P4, T	

I declare under penalties of perjury that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

Signature _____ Title **Manager** Date _____

61A200(I) (1-99)

Commonwealth of Kentucky
REVENUE CABINET

BUSINESS SUMMARY BY TAXING DISTRICT

As of December 31, 1998

Page 1

Name of Taxpayer Johnson County Gas Company, Inc.

INSTRUCTIONS ON REVERSE

(1) Name of Taxing District	(2) Gross Revenues	(3) Customers/ Subscribers	(4) Pops	(5) Actual Mileage (pipe, lines, etc.)	(6) <input type="checkbox"/> Arrivals or <input type="checkbox"/> Departures	(7) Enplane and Deplane Passengers	(8) Enplane and Deplane Freight, Express and Mail
Johnson County	247,504	478					
Grand Totals							

NOTE: The totals for each column must balance to the total Kentucky values indicated on Schedules L and L2.

PROPERTY SUMMARY BY TAXING DISTRICT

OPERATING AND NONOPERATING PROPERTY

As of December 31, 1998

Name of Taxpayer Johnson County Gas Company, Inc.

INSTRUCTIONS ON REVERSE

Name of Taxing District	State Tax Only					State and Local Tax			Total Property
	Manufacturers Raw Materials	Manufacturing Machinery	Radio-Television-Telephonic Equipment	<input type="checkbox"/> Pollution Control Equipment <input type="checkbox"/> Recycling Equipment	Foreign Trade Zone	Business Inventory for Resale	Real Estate Owned and Leased	Tangible Personally Owned and Leased	
Johnson County									
GRAND TOTALS >									

OPERATING PROPERTY LISTING BY TAXING DISTRICT

As of December 31, 1998

Name of Taxpayer Johnson County Gas Company, Inc.

List of Property in Johnson County _____ County Johnson

INSTRUCTIONS ON REVERSE

(A) Description of Property (Including Address) <i>Separate Property by Class</i>	(B) Taxpayer's Original Cost	(C) Taxpayer's Net Book Value	(D) Taxpayer's Reported Value
Real Estate:			
Mains	1,290,931	629,409	629,006
Total Real Estate	1,290,931	629,409	629,006
Personality:			
Meters	4,642	2,389	2,389
Furniture & Equipment	14,575	4,599	4,599
Total Personality	19,217	6,988	6,988
TOTAL TANGIBLE PROPERTY	1,310,148	636,397	636,397

99-155
RECEIVED
APR 14 1999
PUBLIC SERVICE
COMMISSION

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR YEAR ENDING DECEMBER 31, 19 97

1. Amount of Principal Payment during calendar year \$ -0-
2. Is Principal current? (Yes) _____ (No) XX
3. Is Interest current? (Yes) _____ (No) XX

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are your financial statements examined by a Certified Public Accountant? YES _____ NO XX

If yes, which service is performed?

Audit _____
Compilation _____
Review _____

Please enclose a copy of the accountant's report with annual report.

AUDIT OF THE ANNUAL REPORT
 CLASS C AND D GAS COMPANIES
 To Be Completed and Returned with Annual Report

PAGE NO.	LINE NO.	PAGE NO.	LINE NO.	YES	NO	IF NO, EXPLAIN WHY
2	4	4	12	X		
2	6	4	15	X		
2	7	4	16	X		
4	15	4	33	X		
4	1	5	42	X		
4	15	6	25	X		
3	4 & 5	6	Capital Stock	X		
3	20	7	Long-Term Debt Total (d)	X		
3	24 + 26	7	Notes Payable Total (e)	X		
3	30	7	Int. Accrued Total (e)	X		
3	31	8	-	X		
3	10	8	Acct. 216 Bal. End of Yr. (b)	X		

PAGE NO.	LINE NO.	PAGE NO.	LINE NO.	YES	NO	IF NO, EXPLAIN WHY
9	22	11	31	X		
9	50	8	Bal. Trans. From Income (433)	X		
9	25	12	Acct. 408.1	X		
9	48	12	Acct. 408.2	X		
9	40	7	Interest Accrued LTD (c)	X		
9	43	7	Interest Accrued Other	X		
9	26	12	Total Income Taxes Utility Operating Income	X		
9	44	12	Total Income Taxes Nonutility Operating Income	X		
9	24	12	Total Amortizat. Expense	X		
9	7	13	(f)	X		
10	15	14	(j)	X		
10	16	14	-	X		
14	-	15	6 & 7	X		

PAGE NO.	LINE NO.	PAGE NO.	LINE NO.	YES	NO	IF NO, EXPLAIN WHY
15	16	9	9	X		
15	12(b)	15	25(b)	X		
Oath Page has been completed						

GENERAL INFORMATION

1. Give the location, including street & number and telephone number & area code of the principal office in Kentucky.
Box 339, Harold, KY 41635 (606) 478-5264
2. Name, title, address and telephone number with area code of the person to be contacted concerning this report. Bud Rife, Manager
Box 339, Harold, KY 41635 (606) 478-5264
3. Name and title of officer having custody of the books of account, address of office and telephone number with area code where the books of account are kept. Bud Rife, Manager
Box 339, Harold, KY 41635 (606) 478-5264
4. Name of State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law. Kentucky 3/12/68
5. If the respondent controls or is controlled by any other corporation, business trust, or similar organization, give a concise explanation of the manner and extent of control. Corporation is owned by Ky Municipal Gas Utility Trust which was formed by Columbia Gas of Ky and Ky Dept of Local Govt for the purpose of operating Johnson Co. Gas, Inc.
6. Give the names and addresses of the ten major stockholders of the respondent and the voting powers of each at the end of the year.
Columbia Gas of Ky, Inc.
Commonwealth of Kentucky - Dept of Local Govt
7. Give the number of full-time and part-time employees: _____
Full Time - 5
8. Name of City, Town, Community and County in which you furnish gas service and the number of customers in each.
Hager Hill, East Point, Van Lear and Meally

PRINCIPAL OFFICERS

Line No.	Title	Name of Officer or Director	Principal Business Address	Annual Salary and/or Fee
1	Manager	Bud Rife	Box 339, Harold, KY 41635	
2				
3				
4				
5				
6				
7				
8				
9				
10				

BALANCE SHEET

Line No.	ASSETS AND OTHER DEBITS	Balance First Of Year	Balance Last Of Year
1			
2	UTILITY PLANT		
3			
4	Utility Plant (101-107, 114, 116)	1,348,416	1,351,904
5	Less: Accum. Prov. for Depr., Depletion and		
6	Amortization (110)	596,082	634,961
7	Net Utility Plant	752,334	716,943
8			
9	OTHER PROPERTY AND INVESTMENTS		
10			
11	Non-Utility Property-Net (121-122)	10,632	10,632
12	Other Investments (124)		
13	Special Funds (125)		
14			
15			
16			
17	Total Other Property and Investments	10,632	10,632
18			
19	CURRENT AND ACCRUED ASSETS		
20			
21	Cash and Working Funds (131)	13,405	1,483
22	Temporary Cash Investments (132)		
23	Notes Receivable (141)		
24	Customer Accounts Receivable (142)	46,952	41,735
25	Other Accounts Receivable (143)		
26	Accum. Prov. for Uncollectible Accts-Cr. (144)		
27	Materials and Supplies (150)		
28	Gas Stored Underground (164)		
29	Prepayments (165)		
30	Other Current and Accrued Assets (170)	1,100	1,100
31			
32			
33			
34	Total Current and Accrued Assets	61,457	44,318
35			
36	DEFERRED DEBITS		
37			
38	Unamortized Debt Expense (181)		
39	Extraordinary Property Losses (182)		
40	Other Deferred Debits (183)		
41	Def. Losses From Disposition of Util. Plt. (187)		
42	Unamort. Loss on Reacquired Debt (189)		
43	Accum. Deferred Income Taxes (190)		
44	Unrecovered Purchased Gas Costs (191)		
45			
46			
47	Total Deferred Debits	-0-	-0-
48			
49			
50	TOTAL ASSETS AND OTHER DEBITS	824,423	771,893

BALANCE SHEET

Line No.	LIABILITIES AND OTHER CREDITS	Balance First Of Year	Balance Last Of Year
1			
2	PROPRIETARY CAPITAL		
3			
4	Common Capital Stock(201)	80,000	80,000
5	Preferred Capital Stock(204)		
6	Other Paid-In Capital(207)		
7	Discount on Capital Stock(213)		
8	Capital Stock Expense(214)		
9	Appropriated Retained Earnings(215)		
10	Unappropriated Retained Earnings(216)	(575,358)	(609,702)
11	Reacquired Capital Stock(217)	(164,702)	(164,702)
12	Noncorporate Proprietorship(218)		
13	Total Proprietary Capital	(660,060)	(694,404)
14			
15	LONG-TERM DEBT		
16			
17	Bonds(221)		
18	Advances From Associated Companies(223)		
19	Other Long-Term Debt(224)	1,399,798	1,399,798
20	Total Long-Term Debt	1,399,798	1,399,798
21			
22	CURRENT AND ACCRUED LIABILITIES		
23			
24	Notes Payable(231)		
25	Accounts Payable(232)	51,998	25,777
26	Notes Payable to Associated Companies(233)		
27	Accounts Payable to Associated Companies(234)		700
28	Customer Deposits(235)	27,855	32,712
29	Taxes Accrued(236)	3,873	6,351
30	Interest Accrued(237)	959	959
31	Other Current and Accrued Liabilities(238)		
32	Total Current and Accrued Liabilities	84,685	66,499
33			
34	DEFERRED CREDITS		
35			
36	Customer Advances for Construction(252)		
37	Other Deferred Credits(253)		
38	Accum. Deferred Investment Tax Credits(255)		
39	Accum. Deferred Income Taxes(281-283)		
40	Total Deferred Credits	-0-	-0-
41			
42	OPERATING RESERVES		
43			
44	Property Insurance Reserve(261)		
45	Injuries and Damages Reserve(262)		
46	Pensions and Benefits Reserve(263)		
47	Miscellaneous Operating Reserves(265)		
48	Total Operating Reserves	-0-	-0-
49			
50	TOTAL LIABILITIES AND OTHER CREDITS	824,423	771,893

**ANALYSIS OF GAS UTILITY PLANT AND ACCUMULATED
PROVISIONS FOR DEPRECIATION, DEPLETION AND AMORTIZATION**

Line No.	Acct. No.	Item	Amount
GAS UTILITY PLANT			
1	101	Gas Plant In Service-Classified(from Pg. 5, line 42)	1,309,231
2	102	Gas Plant Purchased or Sold	
3	103	Gas Plant in Process of Reclassification	
4	106	Completed Construction Not Classified	
5		Total	1,309,231
6	104	Gas Plant Leased to Others	
7	105	Gas Plant Held for Future Use	
8	107	Construction Work in Progress-Gas	
9	114	Gas Plant Acquisition Adjustments	
10	116	Other Gas Plant Adjustments	42,673
11			
12		Total Utility Plant(fwd. to Pg. 2, line 4)	1,351,904
13		Less:	
14	110	Accum. Prov. for Depreciation, Depletion and	
15		Amort. of Gas Utility Plant(fwd. to pg. 2, line 6)	634,961
16		Net Utility Plant(fwd. to pg. 2, line 7)	716,943
17			

**DETAIL OF ACCUMULATED PROVISION
FOR DEPRECIATION, DEPLETION AND
AMORTIZATION OF GAS UTILITY PLANT**

18	In Service:		
19	Depreciation		634,961
20	Depletion		
21	Amortization		
22	Total-In Service		634,961
23	Leased to Others:		
24	Depreciation		
25	Depletion		
26	Amortization		
27	Total-Leased to Others		-0-
28	Held for Future Use:		
29	Depreciation		
30	Amortization		
31	Total-Held for Future Use		-0-
32	Amortization of Gas Plant Acquisition Adjustments		
33	TOTAL ACCUMULATED PROVISIONS(Same as line no. 15 above)		634,961

NOTES TO BALANCE SHEET

This space is provided for important notes regarding the balance sheet

STATEMENT OF INCOME FOR THE YEAR

Line No.	Account (a)	Average No. Customers (b)	MCF Of Nat. Gas Sold (c)	Amount (d)
1				
2	OPERATING REVENUES			
3	Residential Sales(480)	479	30,457	233,182
4	Commercial and Industrial Sales(481)	16	1,354	9,236
5	Interdepartmental Sales(484)			
6	Total Sales to Ultimate Consumers	495	31,811	242,418
7	Sales for Resale(483)			
8				
9	Total Gas Service Revenues	495	31,811	242,418
10				
11	OTHER OPERATING REVENUES			
12	Forfeited Discounts(487)			4,633
13	Miscellaneous Service Revenues(488)			12,663
14	Revenues From Transportation of Gas of Others(489)			
15	Revenues From Natural Gas Processed by Others(491)			
16	Rent From Gas Property(493)			
17	Other Gas Revenues(495)			28,844
18	Total Other Operating Revenues			46,140
19	Total Gas Operating Revenues			288,558
20				
21	OPERATING EXPENSES			
22	Total Gas Operation & Maint. Expenses(from pg. 11, line 31)			276,811
23	Depreciation and Depletion Expense(403)			38,879
24	Amortization Expense(404-407)(from pg. 12)			
25	Taxes Other Than Income Taxes(408.1)(from pg. 12)			7,212
26	Total Income Taxes-Utility Operations(from pg. 12)			
27	Total Gas Operating Expenses			322,902
28	Net Operating Income			(34,344)
29				
30	OTHER INCOME			
31	Nonutility Income(415-418)			
32	Interest and Dividend Income(419)			
33	Miscellaneous Nonoperating Income(421)			
34	Other Accounts(Specify Acct. No. & Title):			
35				
36				
37	Total Other Income			-0-
38				
39	OTHER DEDUCTIONS			
40	Interest on Long-Term Debt(427)			
41	Amort. of Debt Discount and Expense(428)			
42	Nonutility Deductions(426.1 - 426.5)			
43	Other Interest Expense(431)			
44	Total Income Taxes-Nonutility Operations(From Pg.12)			
45	Other Accounts(Specify Acct. No. & Title):			
46				
47				
48	Taxes Other Than Income Taxes(408.2)(from pg. 12)			
49	Total Other Deductions			-0-
50	NET INCOME			(34,344)

GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount (b)
1		
2	MANUFACTURED GAS PRODUCTION	
3	Total-Acct. No. 700-706(Attach Schedule by Accounts)	
4		
5	NATURAL GAS PRODUCTION AND GATHERING	
6	Total-Acct. No. 710-719(Attach Schedule by Accounts)	
7		
8	EXPLORATION AND DEVELOPMENT EXPENSES	
9	Total-Acct. No. 720-723(Attach Schedule by Accounts)	
10		
11	STORAGE EXPENSES	
12	Total-Acct. No. 740-747(Attach Schedule by Accounts)	
13		
14	OTHER GAS SUPPLY EXPENSES	
15	Natural Gas Purchases(730)	137,995
16	Other Gas Purchases(731)	
17	Purchased Gas Cost Adjustments(731.1)	
18	Purchased Gas Expenses(732)	
19	Gas Withdrawn From Storage-Debit(733)	
20	Gas Delivered to Storage-Credit(734)	
21	Gas Used in Utility Operations-Credit(735)	
22	Other Gas Supply Expenses(736)	
23	Total Other Gas Supply Expenses	137,995
24		
25	TRANSMISSION EXPENSES	
26	Operation Supervision and Labor(750)	
27	Compressor Station Fuel and Power(751)	
28	Operation Supplies and Expenses(752)	
29	Transmission and Compression of Gas by Others(753)	
30	Rents(754)	
31	Maintenance of Mains(755)	
32	Maintenance of Compressor Station Equipment(756)	
33	Maintenance of Other Plant(757)	
34	Total Transmission Expenses	
35		
36	DISTRIBUTION EXPENSES	
37	Supervision(760)	
38	Mains and Services Labor(761)	30,484
39	Mains and Services Supplies and Expenses(762)	4,616
40	Meter and House Regulator Expenses(763)	
41	Customer Installation Expenses(764)	
42	Miscellaneous Distribution Expenses(765)	
43	Rents(766)	
44	Maintenance of Lines(767)	
45	Maintenance of Meters and House Regulators(768)	
46	Maintenance of Other Plant(769)	
47	Total Distribution Expenses	35,100
48		
49		

GAS OPERATION AND MAINTENANCE EXPENSES(Con't.)

Line No.	Account (a)	Amount (b)
1		
2	CUSTOMER ACCOUNTS EXPENSE	
3	Meter Reading Labor(901)	5,534
4	Accounting and Collecting Labor(902)	6,325
5	Supplies and Expenses(903)	
6	Uncollectible Accounts(904)	
7	Total Customer Accounts Expense	11,859
8		
9	CUSTOMER SERVICE AND INFORMATIONAL EXPENSES	
10	Customer Service and Informational Expenses(907)	
11		
12	ADMINISTRATIVE AND GENERAL EXPENSES	
13	Administrative and General Salaries(920)	6,597
14	Office Supplies and Expenses(921)	11,146
15	Administrative Expenses Transferred-Credit(922)	
16	Outside Services Employed(923)	56,200
17	Property Insurance(924)	5,693
18	Injuries and Damages(925)	
19	Employee Pensions and Benefits(926)	
20	Franchise Requirements(927)	
21	Regulatory Commission Expenses(928)	
22	Duplicate Charges-Credit(929)	
23	General Advertising Expenses(930.1)	
24	Miscellaneous General Expenses(930.2)	2,134
25	Rents(931)	
26	Transportation Expenses(933)	10,087
27	Maintenance of General Plant(935)	
28	Total Administrative and General Expenses	91,857
29		
30		
31	TOTAL GAS OPERATION & MAINT. EXPENSES(to pg. 9, line 22)	276,811

NUMBER OF CUSTOMERS

END OF YEAR

Residential(480)	479
Commercial and Industrial(481)	16
Interdepartmental Sales(484)	
Total-Ultimate Consumer	495
Sales for Resale(483)	
Total Gas Service Customers	495

TAXES OTHER THAN INCOME TAXES(408)

Show hereunder the various tax items which make up the amounts listed under Account Numbers 408.1 and 408.2 on page 9, lines 25 and 48

Line No.	Item (a)	Amount (b)
1	Payroll Taxes	1,518
2	Public Service Commission Assessment	443
3	Other(Specify):	
4	Property Tax	4,819
5	Other Taxes & Licenses	432
6		
7		
8		
9		
10		
11	TOTAL (Same as pg. 9, lines 25 & 48)	7,212

OPERATING AND NON-OPERATING INCOME TAXES

Acct. No. (a)	Account (b)	Amount (c)
409.1	Income Taxes-Federal	
409.1	Income Taxes-State	
409.1	Income Taxes-Other	
410.1	Provision For Deferred Income Taxes	
411.1	Provision For Deferred Income Taxes-Credit	
411.4	Investment Tax Credit Adjustment-Net	
	Total Income Taxes-Utility Operat. Income(to pg9, line26)	-0-
409.2	Income Taxes-Federal	
409.2	Income Taxes-State	
409.2	Income Taxes-Other	
410.2	Provision For Deferred Income Taxes	
411.2	Provision For Deferred Income Taxes-Credit	
411.5	Investment Tax Credit Adjustment-Net	
	Total Income Taxes-Nonutility Op. Income(to pg 9, line44)	-0-

AMORTIZATION EXPENSE

Acct. No. (a)	Account (b)	Amount (c)
404	Amortization of Limited-Term Gas Plant	
405	Amortization of Other Gas Plant	
406	Amortization of Gas Plant Acquisition Adjustments	
407.1	Amortization of Property Losses	
407.2	Amortization of Conversion Expenses	
	Total Amortization Expense(Same as pg. 9, line 24)	-0-

SALES FOR RESALE-NATURAL GAS(Account #483)

1. Report particulars concerning sales of natural gas during the year to other gas utilities for resale. Sales to each customer should be identified in column (c) where applicable, by rate schedule designation contained in the company's tariff.
2. Natural gas for the purpose of this schedule means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. Point of delivery, column (b) should show name of city or town and state, and such other designation necessary to enable identification on maps of respondent's pipeline system.
4. Designate any sales which are other than firm sales, i.e., sales for storage, etc.
5. Where consolidated bills for more than one point of delivery are rendered under an FERC rate schedule, the several points of delivery shall be indicated in column (b) and the remainder of the information reported on a consolidated basis corresponding to the billing. Where, however, consolidated bills for more than one point of delivery are not rendered under an FERC rate schedule, the required information shall be furnished for each point of delivery.
6. Designate if BTU per cubic foot of gas is different for any delivery point from that shown in the heading of column (d)

Name of Other Gas Utility (Designate Associated Co) (a)	Point of Delivery (b)	FERC Tariff Rate Sch. Design. (c)	Approx. BTU Per Cu. Ft. (d)	MCF of Gas Sold (14.73 PSIA 60°F) (e)	Revenue For Year (see inst. #5) (f)	Average Revenue Per MCF (g)
Not Applicable						

GAS PURCHASES(Accounts 730, 731-Class C) (Account 730-Class D)

1. Report particulars of gas purchases during the year. 2. Natural gas for the purpose of classification herein is either natural gas unmixed, or any mixture of natural and manufactured gas. 3. Class C natural gas companies shall provide subheadings and totals for prescribed accounts 730-Natural Gas Purchases, and 731-Other Gas Purchases. 4. Where purchases are from unitized fields, or vendor is a partnership or joint interest arrangement, specify such fact in column (a) and give name of unit operator, principal partner, or largest owner of joint interest, as approp. 5. For well head and field line purchases indicate the gas field or production area, county and state. 6. Field purchases of less than \$25,000 per year from individual non-associated vendors may be grouped by fields or production areas. Show number of purchases so grouped. 7. Show in column (c) the Seller's FERC rate schedule designation and date of contract, including such designations for purchases from independent producers. Intrastate purchases for which there is no required filing of an FERC rate schedule shall be specified "intrastate", and dates of contracts shown. If for any purchases more than one rate schedule was in effect during the year, show the most recent rate schedule designation and in a footnote give superseded rate schedules and date of supersession, or a succinct explanation. The Operator's rate schedule designation is sufficient in cases where there are co-owners under the same purchase contract, but the entire volume of gas and amount, columns (h) and (i) must be shown for the purchase under the particular contract. Rate schedule designations are not required with respect to small purchases grouped as permitted by instruction 6.

Name of Vendor (Designate Assoc. Companies (a)	Point of Receipt (b)	Seller's FERC Rate Schedule Designation and Date of Contract (c)	Check Approp Class.			Approx. BTU Per Cu. Ft. (h)	MCF of Gas 14.73 Pisa 60 (i)	Amount (j) \$	AVG. Amt. Per MCF (cents) (k)
			all South field line gasoline outlet (d)	field line gasoline (e)	other outlet (f)				
KY WVA Gas Co(Ferc)							4,757		
KY WVA Gas Co							6,281		
Alliance Gas							27,587		
Cenerprise							10,000		
ERI							29,432		
Interstate Natural Gas Co							59,938		
						31,811	137,995	4.34	

GAS ACCOUNT - NATURAL GAS

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
2. Enter in column (b) the MCF as reported in schedules indicated for the respective items of receipts and deliveries.
3. If the respondent operates two or more systems which are not interconnected, separate schedules should be submitted. Insert pages should be used for this purpose.

Line No.	Item (a)	MCF (14.73 psia at 60°F) (b)
1		
2	GAS RECEIVED	
3		
4	Natural Gas Produced	
5	Purchases:	
6	Natural Gas Purchases (Acct. #730)	31,811
7	Other Gas Purchases (Acct. #731) *	
8	Other Receipts: (Specify)	
9		
10		
11		
12	Total Receipts	31,811
13		
14		
15	GAS DELIVERED	
16	Natural Gas Sales (same as pg. 9, col. c, line 9)	31,811
17	Other Deliveries: (Specify)	
18		
19		
20		
21	Total Deliveries	
22		
23	Unaccounted for Gas	-0-
24	Natural Gas Used by Respondent	
25	Total Deliveries and Unaccounted For	31,811

*This type of gas purchase represents manufactured gas, refinery gas or any gas other than natural gas.

PERTINENT NOTES TO THE EXHIBITS AND SUPPORTING
SCHEDULES CONTAINED IN THIS ANNUAL REPORT FORM

Additional Information Required by Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments.

Case #	Date of Order	Item/Explanation

Attach additional sheets if more room is needed

BUSINESS SUMMARY BY TAXING DISTRICT

1

As of December 31, 1997

Page _____

Name of Taxpayer Johnson County Gas Co., Inc.

INSTRUCTIONS ON REVERSE

Name of Taxing District	Gross Revenues	Customers/ Subscribers	Pops	Actual Mileage	Pipeline Miles	Arrivals/ Departures	Enplane/Deplane Passengers	Enplane/Deplane Freight, Express and Mail
Johnson County	288,558	495						
Grand Totals								

NOTE: The totals for each column must balance to the total Kentucky values indicated on Schedules L and L2.

OPERATING PROPERTY LISTING BY TAXING DISTRICT

As of December 31, 1997

K

Page 1

Name of Taxpayer Johnson County Gas Co., Inc.
 List of Property in Johnson County County Johnson

INSTRUCTIONS ON REVERSE

(A) Description of Property (Including Address) <i>Separate Property by Class</i>	(B) Taxpayer's Original Cost	(C) Taxpayer's Net Book Value	(D) Taxpayer's Reported Value
REAL ESTATE	1,290,931	667,006	667,006
MAINS	1,290,931	667,006	667,006
TOTAL REAL ESTATE	4,642	2621	2621
PERSONALITY	13,658	4643	4643
METERS	18,300	7264	7264
TOTAL PERSONALITY	1,309,231	674,270	674,270
TOTAL TANGIBLE PROPERTY			

OATH

State of Kentucky)
) ss:
County of Floyd)

Before me, the undersigned officer duly authorized to administer oaths, there personally appeared Bud Rife,
(Name of affiant)
who, being first sworn by me, says on oath that he has charge of the records of Johnson County Gas Company, Inc.
(Exact legal name of company)

and that the foregoing report is true to the best of his knowledge and belief, and that it covers the period from January 1, 19 97, to December 31, 19 97.

(Signature of affiant)

Subscribed and sworn to before me this _____ day of _____, 19 _____.

Notary Public, County of _____

My Commission expires _____, 19 ____.

(SEAL)

RECEIVED
APR 14 1999
PUBLIC SERVICE
COMMISSION

PUBLIC SERVICE COMMISSION OF KENTUCKY
PRINCIPAL PAYMENT AND INTEREST INFORMATION
FOR YEAR ENDING DECEMBER 31, 1996

- 1. Amount of Principal Payment during calendar year \$ -0-
- 2. Is Principal current? (Yes) _____ (No) X
- 3. Is Interest current? (Yes) _____ (No) X

SERVICES PERFORMED BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are your financial statements examined by a Certified Public Accountant? YES _____ NO X

If yes, which service is performed?

- Audit _____
- Compilation _____
- Review _____

Please enclose a copy of the accountant's report with annual report.

AUDIT OF THE ANNUAL REPORT
 CLASS C AND D GAS COMPANIES
 To Be Completed and Returned with Annual Report

PAGE NO.	LINE NO.	PAGE NO.	LINE NO.	YES	NO	IF NO, EXPLAIN WHY
2	4	4	12	X		
2	6	4	15	X		
2	7	4	16	X		
4	15	4	33	X		
4	1	5	42	X		
4	15	6	25	X		
3	4 & 5	6	Capital Stock	X		
3	20	7	Long-Term Debt Total (d)	X		
3	24 + 26	7	Notes Payable Total (e)	X		
3	30	7	Int. Accrued Total (e)	X		
3	31	8	-	X		
3	10	8	Acct. 216 Bal. End of Yr. (b)	X		

PAGE NO.	LINE NO.	PAGE NO.	LINE NO.	YES	NO	IF NO, EXPLAIN WHY
9	22	11	31	X		
9	50	8	Bal. Trans. From Income (433)	X		
9	25	12	Acct. 408.1	X		
9	48	12	Acct. 408.2	X		
9	40	7	Interest Accrued LTD (c)	X		
9	43	7	Interest Accrued Other	X		
9	26	12	Total Income Taxes Utility Operating Income	X		
9	44	12	Total Income Taxes Nonutility Operating Income	X		
9	24	12	Total Amortizat. Expense	X		
9	7	13	(f)	X		
10	15	14	(j)	X		
10	16	14	-	X		
14	-	15	6 & 7	X		

PAGE NO.	LINE NO.	PAGE NO.	LINE NO.	YES	NO	IF NO, EXPLAIN WHY
15	16	9	9	X		
15	12(b)	15	25(b)	X		
Oath Page has been completed						

GENERAL INFORMATION

1. Give the location, including street & number and telephone number & area code of the principal office in Kentucky.
Box 339, Harold, KY 41635 (606) 478-5264

2. Name, title, address and telephone number with area code of the person to be contacted concerning this report. Bud Rife, Manager
Box 339, Harold, KY 41635 (606) 478-5264

3. Name and title of officer having custody of the books of account, address of office and telephone number with area code where the books of account are kept. Bud Rife, Manager
Box 339, Harold, KY 41635 (606) 478-5264

4. Name of State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law. Kentucky 3/12/68

5. If the respondent controls or is controlled by any other corporation, business trust, or similar organization, give a concise explanation of the manner and extent of control. Corporation is owned by Ky Municipal Gas Utility Trust which was formed by Columbia Gas of Ky and Ky Dept of Local Govt for the purpose of operating Johnson Co Gas, Inc.

6. Give the names and addresses of the ten major stockholders of the respondent and the voting powers of each at the end of the year.
Columbia Gas of Ky, Inc. and Commonwealth of Ky Dept of Local Government

7. Give the number of full-time and part-time employees:
Full Time - 5

8. Name of City, Town, Community and County in which you furnish gas service and the number of customers in each.
Hager Hill, East Point, Van Lear, and Meally

PRINCIPAL OFFICERS

Line No.	Title	Name of Officer or Director	Principal Business Address	Annual Salary and/or Fee
1	Manager	Bud Rife	Box 339, Harold, KY 41635	
2				
3				
4				
5				
6				
7				
8				
9				
10				

BALANCE SHEET

Line No.	ASSETS AND OTHER DEBITS	Balance First Of Year	Balance Last Of Year
1			
2	UTILITY PLANT		
3			
4	Utility Plant(101-107,114,116)	1,348,416	1,348,416
5	Less: Accum. Prov. for Depr., Depletion and		
6	Amortization(110)	554,484	596,082
7	Net Utility Plant	793,932	752,334
8			
9	OTHER PROPERTY AND INVESTMENTS		
10			
11	Non-Utility Property-Net(121-122)	10,632	10,632
12	Other Investments(124)		
13	Special Funds(125)		
14			
15			
16			
17	Total Other Property and Investments	10,632	10,632
18			
19	CURRENT AND ACCRUED ASSETS		
20			
21	Cash and Working Funds(131)	1,987	13,405
22	Temporary Cash Investments(132)		
23	Notes Receivable(141)		
24	Customer Accounts Receivable(142)	53,742	46,952
25	Other Accounts Receivable(143)		
26	Accum. Prov. for Uncollectible Accts-Cr.(144)		
27	Materials and Supplies(150)		
28	Gas Stored Underground(164)		
29	Prepayments(165)		
30	Other Current and Accrued Assets(170)	1,100	1,100
31			
32			
33			
34	Total Current and Accrued Assets	56,829	61,457
35			
36	DEFERRED DEBITS		
37			
38	Unamortized Debt Expense(181)		
39	Extraordinary Property Losses(182)		
40	Other Deferred Debits(183)		
41	Def. Losses From Disposition of Util. Plt.(187)		
42	Unamort. Loss on Reacquired Debt(189)		
43	Accum. Deferred Income Taxes(190)		
44	Unrecovered Purchased Gas Costs(191)		
45			
46			
47	Total Deferred Debits	-0-	-0-
48			
49			
50	TOTAL ASSETS AND OTHER DEBITS	861,393	824,423

BALANCE SHEET

Line No.	LIABILITIES AND OTHER CREDITS	Balance First Of Year	Balance Last Of Year
1			
2	PROPRIETARY CAPITAL		
3			
4	Common Capital Stock(201)	80,000	80,000
5	Preferred Capital Stock(204)		
6	Other Paid-In Capital(207)		
7	Discount on Capital Stock(213)		
8	Capital Stock Expense(214)		
9	Appropriated Retained Earnings(215)		
10	Unappropriated Retained Earnings(216)	(516,544)	(575,358)
11	Reacquired Capital Stock(217)	(164,702)	(164,702)
12	Noncorporate Proprietorship(218)		
13	Total Proprietary Capital	(601,246)	(660,060)
14			
15	LONG-TERM DEBT		
16			
17	Bonds(221)		
18	Advances From Associated Companies(223)		
19	Other Long-Term Debt(224)	1,399,798	1,399,798
20	Total Long-Term Debt	1,399,798	1,399,798
21			
22	CURRENT AND ACCRUED LIABILITIES		
23			
24	Notes Payable(231)		
25	Accounts Payable(232)	29,900	51,998
26	Notes Payable to Associated Companies(233)		
27	Accounts Payable to Associated Companies(234)		
28	Customer Deposits(235)	28,360	27,855
29	Taxes Accrued(236)	3,622	3,873
30	Interest Accrued(237)	959	959
31	Other Current and Accrued Liabilities(238)		
32	Total Current and Accrued Liabilities	62,841	84,685
33			
34	DEFERRED CREDITS		
35			
36	Customer Advances for Construction(252)		
37	Other Deferred Credits(253)		
38	Accum. Deferred Investment Tax Credits(255)		
39	Accum. Deferred Income Taxes(281-283)		
40	Total Deferred Credits	-0-	-0-
41			
42	OPERATING RESERVES		
43			
44	Property Insurance Reserve(261)		
45	Injuries and Damages Reserve(262)		
46	Pensions and Benefits Reserve(263)		
47	Miscellaneous Operating Reserves(265)		
48	Total Operating Reserves	-0-	-0-
49			
50	TOTAL LIABILITIES AND OTHER CREDITS	861,393	824,423

**ANALYSIS OF GAS UTILITY PLANT AND ACCUMULATED
PROVISIONS FOR DEPRECIATION, DEPLETION AND AMORTIZATION**

Line No.	Acct. No.	Item	Amount
GAS UTILITY PLANT			
1	101	Gas Plant In Service-Classified(from Pg. 5, line 42)	1,305,743
2	102	Gas Plant Purchased or Sold	
3	103	Gas Plant in Process of Reclassification	
4	106	Completed Construction Not Classified	
5		Total	1,305,743
6	104	Gas Plant Leased to Others	
7	105	Gas Plant Held for Future Use	
8	107	Construction Work in Progress-Gas	
9	114	Gas Plant Acquisition Adjustments	
10	116	Other Gas Plant Adjustments	42,673
11			
12		Total Utility Plant(fwd. to Pg. 2, line 4)	1,348,416
13		Less:	
14	110	Accum. Prov. for Depreciation, Depletion and	
15		Amort. of Gas Utility Plant(fwd. to pg. 2, line 6)	596,082
16		Net Utility Plant(fwd. to pg. 2, line 7)	752,334
17			

**DETAIL OF ACCUMULATED PROVISION
FOR DEPRECIATION, DEPLETION AND
AMORTIZATION OF GAS UTILITY PLANT**

18	In Service:		
19	Depreciation		596,082
20	Depletion		
21	Amortization		
22	Total-In Service		596,082
23	Leased to Others:		
24	Depreciation		
25	Depletion		
26	Amortization		
27	Total-Leased to Others		
28	Held for Future Use:		
29	Depreciation		
30	Amortization		
31	Total-Held for Future Use		
32	Amortization of Gas Plant Acquisition Adjustments		
33	TOTAL ACCUMULATED PROVISIONS(Same as line no. 15 above)		596,082

NOTES TO BALANCE SHEET

This space is provided for important notes regarding the balance sheet

GAS UTILITY PLANT IN SERVICE

Report in col. (c) entries reclass. property from one acct. to another. Corrections of entries of the preceding yr. should be recorded in col. (c) or col. (d), as they are corrections of additions or ret.

Line No.	Account (a)	Balance First of Yr. (b)	Additions (c)	Retirements (d)	Adj.-Inc. or Dec. (e)	Balance End of Year (f)
1	Intangible Plt.-Acct. 301-303(Attach Sch.)					
2	Gas Prod. Plt.- Acct. 304-363(Attach Sch.)					
3	TRANSMISSION PLANT					
4	Land and Land Rights(365.1)					
5	Rights-of-Way(365.2)					
6	Structures and Improvements(366)					
7	Mains(367)					
8	Compressor Station Equipment(368)					
9	Meas. & Regulating Station Equip.(369)					
10	Communication Equipment(370)					
11	Other Equipment(371)					
12	Total Transmission Plant					
13	DISTRIBUTION PLANT					
14	Land and Land Rights(374)					
15	Structures and Improvements(375)					
16	Mains(376)	1,290,931				1,290,931
17	Compressor Station Equipment(377)					
18	Meas. & Reg. Station Equip.-Gen'l.(378)					
19	Meas. & Reg. Stat. Equip-City Gate(379)					
20	Services(380)					
21	Meters(381)	1,386				1,386
22	Meter Installations(382)					
23	House Regulators(383)	3,256				3,256
24	House Regulator Installations(384)					
25	Ind. Meas. & Reg. Station Equip.(385)					
26	Other Prop. on Customers Premises(386)					
27	Other Equipment(387)					
28	Total Distribution Plant	1,295,573				1,295,573
29	GENERAL PLANT					
30	Land and Land Rights(389)					
31	Structures and Improvements(390)					
32	Office Furniture and Equipment(391)	10,170				10,170
33	Transportation Equipment(392)					
34	Stores Equipment(393)					
35	Tools, Shop & Garage Equipment(394)					
36	Laboratory Equipment(395)					
37	Power Operated Equipment(396)					
38	Communication Equipment(397)					
39	Miscellaneous Equipment(398)					
40	Other Tangible Plant(399)					
41	Total General Plant	10,170				10,170
42	TOTAL GAS PLANT IN SERVICE	1,305,743				1,305,743

STATEMENT OF INCOME FOR THE YEAR

Line No.	Account (a)	Average No. Customers (b)	MCF Of Nat. Gas Sold (c)	Amount (d)
1				
2	OPERATING REVENUES			
3	Residential Sales(480)	491	34,725	252,905
4	Commercial and Industrial Sales(481)	18	1,180	8,555
5	Interdepartmental Sales(484)			
6	Total Sales to Ultimate Consumers	509	35,905	261,460
7	Sales for Resale(483)			
8				
9	Total Gas Service Revenues	509	35,905	261,460
10				
11	OTHER OPERATING REVENUES			
12	Forfeited Discounts(487)			6,774
13	Miscellaneous Service Revenues(488)			14,799
14	Revenues From Transportation of Gas of Others(489)			
15	Revenues From Natural Gas Processed by Others(491)			
16	Rent From Gas Property(493)			
17	Other Gas Revenues(495)			18,171
18	Total Other Operating Revenues			39,744
19	Total Gas Operating Revenues			301,204
20				
21	OPERATING EXPENSES			
22	Total Gas Operation & Maint. Expenses(from pg. 11, line 31)			311,357
23	Depreciation and Depletion Expense(403)			41,598
24	Amortization Expense(404-407)(from pg. 12)			
25	Taxes Other Than Income Taxes(408.1)(from pg. 12)			7,066
26	Total Income Taxes-Utility Operations(from pg. 12)			
27	Total Gas Operating Expenses			360,021
28	Net Operating Income			(58,817)
29				
30	OTHER INCOME			
31	Nonutility Income(415-418)			
32	Interest and Dividend Income(419)			
33	Miscellaneous Nonoperating Income(421)			
34	Other Accounts(Specify Acct. No. & Title):			
35	Acct # 990 - Gain on Cash Savings			3
36				
37	Total Other Income			3
38				
39	OTHER DEDUCTIONS			
40	Interest on Long-Term Debt(427)			
41	Amort. of Debt Discount and Expense(428)			
42	Nonutility Deductions(426.1 - 426.5)			
43	Other Interest Expense(431)			
44	Total Income Taxes-Nonutility Operations(From Pg.12)			
45	Other Accounts(Specify Acct. No. & Title):			
46				
47				
48	Taxes Other Than Income Taxes(408.2)(from pg. 12)			
49	Total Other Deductions			
50	NET INCOME			(58,814)

GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount (b)
1		
2	MANUFACTURED GAS PRODUCTION	
3	Total-Acct. No. 700-706(Attach Schedule by Accounts)	
4		
5	NATURAL GAS PRODUCTION AND GATHERING	
6	Total-Acct. No. 710-719(Attach Schedule by Accounts)	
7		
8	EXPLORATION AND DEVELOPMENT EXPENSES	
9	Total-Acct. No. 720-723(Attach Schedule by Accounts)	
10		
11	STORAGE EXPENSES	
12	Total-Acct. No. 740-747(Attach Schedule by Accounts)	
13		
14	OTHER GAS SUPPLY EXPENSES	
15	Natural Gas Purchases(730)	175,865
16	Other Gas Purchases(731)	
17	Purchased Gas Cost Adjustments(731.1)	
18	Purchased Gas Expenses(732)	
19	Gas Withdrawn From Storage-Debit(733)	
20	Gas Delivered to Storage-Credit(734)	
21	Gas Used in Utility Operations-Credit(735)	
22	Other Gas Supply Expenses(736)	
23	Total Other Gas Supply Expenses	175,865
24		
25	TRANSMISSION EXPENSES	
26	Operation Supervision and Labor(750)	
27	Compressor Station Fuel and Power(751)	
28	Operation Supplies and Expenses(752)	
29	Transmission and Compression of Gas by Others(753)	
30	Rents(754)	
31	Maintenance of Mains(755)	
32	Maintenance of Compressor Station Equipment(756)	
33	Maintenance of Other Plant(757)	
34	Total Transmission Expenses	-0-
35		
36	DISTRIBUTION EXPENSES	
37	Supervision(760)	
38	Mains and Services Labor(761)	17,222
39	Mains and Services Supplies and Expenses(762)	42
40	Meter and House Regulator Expenses(763)	2,875
41	Customer Installation Expenses(764)	
42	Miscellaneous Distribution Expenses(765)	
43	Rents(766)	3,798
44	Maintenance of Lines(767)	
45	Maintenance of Meters and House Regulators(768)	
46	Maintenance of Other Plant(769)	
47	Total Distribution Expenses	23,937
48		
49		

GAS OPERATION AND MAINTENANCE EXPENSES(Con't.)

Line No.	Account (a)	Amount (b)
1		
2	CUSTOMER ACCOUNTS EXPENSE	
3	Meter Reading Labor(901)	17,222
4	Accounting and Collecting Labor(902)	13,428
5	Supplies and Expenses(903)	4,700
6	Uncollectible Accounts(904)	4,221
7	Total Customer Accounts Expense	39,571
8		
9	CUSTOMER SERVICE AND INFORMATIONAL EXPENSES	
10	Customer Service and Informational Expenses(907)	-0-
11		
12	ADMINISTRATIVE AND GENERAL EXPENSES	
13	Administrative and General Salaries(920)	29,078
14	Office Supplies and Expenses(921)	5,702
15	Administrative Expenses Transferred-Credit(922)	
16	Outside Services Employed(923)	3,000
17	Property Insurance(924)	6,048
18	Injuries and Damages(925)	
19	Employee Pensions and Benefits(926)	5,958
20	Franchise Requirements(927)	
21	Regulatory Commission Expenses(928)	
22	Duplicate Charges-Credit(929)	
23	General Advertising Expenses(930.1)	
24	Miscellaneous General Expenses(930.2)	544
25	Rents(931)	9,164
26	Transportation Expenses(933)	12,490
27	Maintenance of General Plant(935)	
28	Total Administrative and General Expenses	71,984
29		
30		
31	TOTAL GAS OPERATION & MAINT. EXPENSES(to pg. 9, line 22)	311,357

NUMBER OF CUSTOMERS

END OF YEAR

Residential(480)	491
Commercial and Industrial(481)	18
Interdepartmental Sales(484)	
Total-Ultimate Consumer	509
Sales for Resale(483)	
Total Gas Service Customers	509

TAXES OTHER THAN INCOME TAXES(408)

Show hereunder the various tax items which make up the amounts listed under Account Numbers 408.1 and 408.2 on page 9, lines 25 and 48

Line No.	Item (a)	Amount (b)
1	Payroll Taxes	6,441
2	Public Service Commission Assessment	539
3	Other(Specify): Motor Vehicle Tax	71
4	Corporate Filing Fee	15
5		
6		
7		
8		
9		
10		
11	TOTAL (Same as pg. 9, lines 25 & 48)	7,066

OPERATING AND NON-OPERATING INCOME TAXES

Acct. No. (a)	Account (b)	Amount (c)
409.1	Income Taxes-Federal	
409.1	Income Taxes-State	
409.1	Income Taxes-Other	
410.1	Provision For Deferred Income Taxes	
411.1	Provision For Deferred Income Taxes-Credit	
411.4	Investment Tax Credit Adjustment-Net	
	Total Income Taxes-Utility Operat. Income(to pg9, line26)	
409.2	Income Taxes-Federal	
409.2	Income Taxes-State	
409.2	Income Taxes-Other	
410.2	Provision For Deferred Income Taxes	
411.2	Provision For Deferred Income Taxes-Credit	
411.5	Investment Tax Credit Adjustment-Net	
	Total Income Taxes-Nonutility Op. Income(to pg 9, line44)	

AMORTIZATION EXPENSE

Acct. No. (a)	Account (b)	Amount (c)
404	Amortization of Limited-Term Gas Plant	
405	Amortization of Other Gas Plant	
406	Amortization of Gas Plant Acquisition Adjustments	
407.1	Amortization of Property Losses	
407.2	Amortization of Conversion Expenses	
	Total Amortization Expense(Same as pg. 9, line 24)	

SALES FOR RESALE-NATURAL GAS(Account #483)

1. Report particulars concerning sales of natural gas during the year to other gas utilities for resale. Sales to each customer should be identified in column (c) where applicable, by rate schedule designation contained in the company's tariff.
2. Natural gas for the purpose of this schedule means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. Point of delivery, column (b) should show name of city or town and state, and such other designation necessary to enable identification on maps of respondent's pipeline system.
4. Designate any sales which are other than firm sales, i.e., sales for storage, etc.
5. Where consolidated bills for more than one point of delivery are rendered under an FERC rate schedule, the several points of delivery shall be indicated in column (b) and the remainder of the information reported on a consolidated basis corresponding to the billing. Where, however, consolidated bills for more than one point of delivery are not rendered under an FERC rate schedule, the required information shall be furnished for each point of delivery.
6. Designate if BTU per cubic foot of gas is different for any delivery point from that shown in the heading of column (d)

Name of Other Gas Utility (Designate Associated Co) (a)	Point of Delivery (b)	FERC Tariff Rate Sch. Design. (c)	Approx. BTU Per Cu. Ft. (d)	MCF of Gas Sold (14.73 PSIA 60°F) (e)	Revenue For Year (see inst. #5) (f)	Average Revenue Per MCF (g)

GAS PURCHASES(Accounts 730, 731-Class C) (Account 730-Class D)

1. Report particulars of gas purchases during the year. 2. Natural gas for the purpose of classification herein is either natural gas unmixed, or any mixture of natural and manufactured gas. 3. Class C natural gas companies shall provide subheadings and totals for prescribed accounts 730-Natural Gas Purchases, and 731-Other Gas Purchases. 4. Where purchases are from unitized fields, or vendor is a partnership or joint interest arrangement, specify such fact in column (a) and give name of unit operator, principal partner, or largest owner of joint interest, as approp. 5. For well head and field line purchases indicate the gas field or production area, county and state. 6. Field purchases of less than \$25,000 per year from individual non-associated vendors may be grouped by fields or production areas. Show number of purchases so grouped. 7. Show in column (c) the Seller's FERC rate schedule designation and date of contract, including such designations for purchases from independent producers. Intrastate purchases for which there is no required filing of an FERC rate schedule shall be specified "intrastate", and dates of contracts shown. If for any purchases more than one rate schedule was in effect during the year, show the most recent rate schedule designation and in a footnote give superseded rate schedules and date of supersession, or a succinct explanation. The Operator's rate schedule designation is sufficient in cases where there are co-owners under the same purchase contract, but the entire volume of gas and amount, columns (h) and (i) must be shown for the purchase under the particular contract. Rate schedule designations are not required with respect to small purchases grouped as permitted by instruction 6.

Name of Vendor (Designate Assoc. Companies (a)	Point of Receipt (b)	Seller's FERC Rate Schedule Designation and Date of Contract (c)	Check Approp Class.				Approx. BTU Per Cu. Ft. (h)	MCF of Gas 14.73° Pisa 60° (i)	Amount (j)	AVG. Amt. Per MCF (cents) (k)
			(d)	(e)	(f)	(g)				
KY WVA Gas Co. Alliance Gas Columbia Gas of Ky KY WVA (FERC) Cenerprise				X				50,923	35,905	4.90
				X			84,103	6,932		

GAS ACCOUNT - NATURAL GAS

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
2. Enter in column (b) the MCF as reported in schedules indicated for the respective items of receipts and deliveries.
3. If the respondent operates two or more systems which are not interconnected, separate schedules should be submitted. Insert pages should be used for this purpose.

Line No.	Item (a)	MCF (14.73 psia at 60°F) (b)
1		
2	GAS RECEIVED	
3		
4	Natural Gas Produced	
5	Purchases:	
6	Natural Gas Purchases (Acct. #730)	35,905
7	Other Gas Purchases (Acct. #731) *	
8	Other Receipts: (Specify)	
9		
10		
11		
12	Total Receipts	35,905
13		
14		
15	GAS DELIVERED	
16	Natural Gas Sales (same as pg. 9, col. c, line 9)	35,905
17	Other Deliveries: (Specify)	
18		
19		
20		
21	Total Deliveries	
22		
23	Unaccounted for Gas	-0-
24	Natural Gas Used by Respondent	
25	Total Deliveries and Unaccounted For	35,905

*This type of gas purchase represents manufactured gas, refinery gas or any gas other than natural gas.

PERTINENT NOTES TO THE EXHIBITS AND SUPPORTING
SCHEDULES CONTAINED IN THIS ANNUAL REPORT FORM

OATH

State of Kentucky)
) ss:
County of Floyd)

Before me, the undersigned officer duly authorized to administer oaths, there personally appeared Bud Rife,
(Name of affiant)

who, being first sworn by me, says on oath that he has charge of the records of Johnson County Gas Company, Inc.
(Exact legal name of company)

and that the foregoing report is true to the best of his knowledge and belief, and that it covers the period from January 1, 19 96, to December 31, 19 96.

(Signature of affiant)

Subscribed and sworn to before me this _____ day of _____, 19 _____.

Notary Public, County of _____

My Commission expires _____, 19 ____.

(SEAL)

Additional Information Required by Commission Orders

Provide any special information required by prior Commission orders, as well as any narrative explanations necessary to fully explain the data. Examples of the types of special information that may be required by Commission orders include surcharge amounts collected, refunds issued, and unusual debt repayments.

Case #	Date of Order	Item/Explanation

Attach additional sheets if more room is needed